

ORIGINAL



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Snell & Wilmer
L.L.P.
LAW OFFICES

One Arizona Center
Phoenix, Arizona 85004-2202
(602) 382-6000
Fax: (602) 382-6070
www.swlaw.com

Kimberly A. Grouse (602) 382-6304
kgrouse@swlaw.com

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2801

September 26, 2005

Mr. Jim Dorf
Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007-2927

Re: **Why Utilities Co., Inc. – Application for a Rate Increase
W-02052A-05-0529 Insufficiency Letter**

Dear Mr. Dorf:

The purpose of this letter is to address the issues raised in your letter dated August 19, 2005, regarding the above named docket. As you may know, Why Utilities Co., Inc. (“the Company”) is a Class E water utility with 91 customers in rural Why, Arizona. The Company has not had a rate increase since its inception in 1969. In addition, there have been changes in management and accounting service providers over the years.

Currently, the arsenic level in the Company’s water exceeds the standards that will go into effect in January, 2006. To address this problem, the Company has sought financing through the United States Department of Agriculture, Rural Development (“RD”) in the form of a \$185,000 loan and \$1,215,000 in grants to construct an arsenic filtration system, replace existing main lines with larger 6 inch lines and to add fire hydrants. As a condition of the funding, RD requires the Company to increase its rates in the amounts set forth in the Company’s Application.

Set forth below are the Company’s responses to Staff’s findings in the Letter of Insufficiency:

- 1) Why Utilities Co., Inc. prepared the bill counts in accordance with the requirements of the Arizona Corporation Commission. The Company believes the bill counts do generate the revenue reflected in the application but will provide a summary of all quarters as requested by Staff as soon as it becomes available.
- 2) The Customer Balance Due Report for October, 2004 showing one month of customer bills is enclosed.

Jim Dorf
September 26, 2005
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- 3) I have enclosed a 1992 memo from Why Utilities summarizing the Company's rates. The rates reflected in the memo are consistent with the approved rates on file with the Commission. There is a disparity in the fees charged for the 5/8" service line & meter installation. It appears that the Company's stated fee since 1992 has been \$300, while the fee on the tariff schedule was \$100. The Company is not able to confirm the number of 5/8" meters installed since 1992, however, there have only been two installations in the past five years, resulting in total overcharges of \$400. One of those installations was in the current year and the Company is refunding the difference.
- 4) Why Utility Co., Inc. was organized in 1969. The Articles of Incorporation were amended in March, 1993 to change the Company's status to non-profit. The Company filed for change of status with the Internal Revenue Service, but was declined due to the ownership of two RV parks. See attached letter from the Internal Revenue Service dated July 8, 1993.

If you have any questions regarding this matter, please call me at (602) 382-6304.

Very truly yours,

Snell & Wilmer



Kimberly A. Grouse

KAG:ch
Enclosures

cc: Docket Control Center (sixteen copies)
Vern Denning, Why Utilities Co., Inc.
Lyn Farmer, Hearing Division
Delbert Smith, Engineering
Consumer Services
Legal Division

WHY UTILITY CO INC

CUSTOMER BALANCE DUE REPORT (BALANCE = <> 0) PRINTED AT 14:33:04 ON 10-25-2004

PRINTED USING THE Account # INDEX

SELECTION = Account #>=1000 and Account #<=1840

LAST LAST

ACCOUNT #	CUSTOMER NAME	AMT PAID	DATE PAID	PAST-DUE	BALANCE	NOTES
1000	WHY UTILITY CO., IN1550C	0.00			-1.71	
1015	ERTMANN, BOB	75.63	10-06-04		68.99	
1030	LIBBY, DOUG & JULIA	30.62	06-07-04		30.62	
1040	SHOOK, B. & T.	20.06	10-05-04		20.06	
1070	YOUNG, LIZ	100.00	01-12-04	81.79	118.76	
1080	HARGIS, ROBERTA	53.75	10-12-04		51.64	
1090	VILLAVARDE, DIONISIO	20.06	10-04-04		20.06	
1110	DeGALAN, FRED	20.06	10-07-04		20.06	
1120	CAMERON JEFF	20.06	10-04-04		20.06	
1125	U S BORDER PATROL	20.26	09-15-04	19.92	39.98	
1130	MOWERS, NEAL	20.06	10-05-04		20.06	
1140	RICKARD, F R	20.06	10-04-04		20.06	
1160	KANAN, JAMES	30.62	05-17-04		20.06	
1170	CRAIG, ROBERT C.	100.00	08-16-04	-34.08	-14.02	
1176	HOFFMAN, ANTHONY J.	28.62	10-04-04		29.73	
1180	BRUEN, JOHN	20.06	09-29-04		20.06	
1190	BRUEN, JOHN	20.06	09-29-04		20.06	
1210	HOLCOMB, PETER	25.92	09-28-04		27.36	
1220	KENNEDY, STUART	20.06	10-07-04		20.06	
1230	U S BORDER PATROL	76.03	09-15-04	101.38	197.48	
1240	HARRIS, FRANKLIN R	20.06	10-04-04		20.06	
1241	YARBROUGH, RUMIANA	20.60	10-08-04		20.06	
1250	WATERMAN, PAUL	67.90	10-01-04		55.23	
1260	COYOTE HOWLS WEST	36.96	10-20-04		28.51	
1261	E COWDREY	46.57	10-04-04		26.11	
1280	WHY WASH-SCHNELL	50.90	10-01-04		47.52	
1285	MONROE, PAT & DRABA	70.00	10-25-04	97.44	117.50	
1300	SW BAPTIST MIS-McCANDLESS	32.21	09-22-04		31.47	
1330	BAGBY, X-Y CAFE	33.72	09-04-04		29.46	
1351	PERRY, JANE	20.00	09-04-04	-0.91	26.55	
1370	C H CAMPGROUND	47.10	10-20-04		68.55	
1380	C H CAMPGROUND	20.06	10-20-04		20.58	
1390	C H CAMPGROUND	94.72	10-20-04		98.10	
1391	FLORES, JOE JR.	22.06	10-21-04		20.06	
1400	FLORES, JOSE	20.06	10-21-04		20.06	
1405	HUGHES, JANICE	26.91	10-08-04		20.06	
1420	ROBERTS, PETE	20.26	08-15-04	40.73	60.79	
1425	SAMIEC, LUCILLE	20.06	10-04-04		20.06	
1440	JONES, CLARA	20.06	10-04-04		20.06	
1450	SCHNELL, DON	20.06	10-01-04		20.06	
1460	HOGE, JOHN	20.06	10-07-04		20.06	
1470	FLORES & SONS	180.37	10-21-04	-12.68	135.69	
1475	WHY FIRE DEPT.	20.06	10-04-04		20.06	
1480	WHY COMMUNITY BLDG	20.06	10-20-04		20.06	
1485	WHY RO MACHINE	20.06	10-20-04		20.06	
1490	CONNER, CHARLES	25.53	10-16-04		20.06	
1499	HOOD, JACK & LINDA	40.12	10-14-04		20.06	
1500	HOPE, WAYNE	27.37	10-07-04		48.06	
1510	SZYMCZAK, THADDEUS	40.12	10-07-04		20.06	

WHY UTILITY CO INC

CUSTOMER BALANCE DUE REPORT (BALANCE = <> 0) PRINTED AT 14:33:05 ON 10-25-2004

PRINTED USING THE Account # INDEX

SELECTION = Account #>=1000 and Account #<=1840

ACCOUNT #	CUSTOMER NAME	LAST AMT PAID	LAST DATEPAID	PAST-DUE	BALANCE	NOTES
1522	RASMUSSEN, JAMES B	20.06	10-12-04		20.06	
1530	STEVENSON, CHARLES	22.83	08-20-04	42.34	72.91	
1540	DEL ROSARIO, RUBEN	25.07	10-15-04		24.82	
1550	CHIAPPONE, ED	20.06	10-07-04		20.06	
1552	GARNER, LEWIS	20.06	10-04-04		20.06	
1555	DENNING, VERN & DODI	48.94	10-04-04		40.21	
1560	TUCKER, ED	23.43	10-04-04		20.06	
1580	FLORES, JOSE 01	40.35	10-21-04		30.46	
1581	COX, CHARLES	25.85	10-07-04		26.35	
1590	DENNING, JESSIE	52.76	10-07-04		47.63	
1595	FLORES, JOSE	20.06	10-21-04		20.06	
1600	Y-NOT ROGERS	30.94	10-07-04		41.08	
1610	FLORES, EMILIO	40.12	09-13-04	31.22	81.57	
1620	CROSS, TED	20.06	10-04-04		20.06	
1625	HWY 85 DELI	28.51	10-07-04		39.71	
1630	GONZALEZ, JOSE C.	38.32	10-12-04		32.89	
1640	HAGEN, GEO & JEN	47.61	10-04-04	0.05	46.86	
1650	STERLING, DAVE & DARLENE	120.00	04-30-04	0.36	20.42	
1660	WINKLER, SUSAN	23.98	10-04-04		23.24	
1671	SNYDER, ROBERT	45.41	10-02-04		32.60	
1680	SNYDER, RONALD	20.06	10-04-04		20.06	
1690	RUSSO, RUTH	100.00	07-19-04	-4.19	41.72	
1700	LAHM, JAMES	82.32	10-18-04		30.85	
1710	BAGBY, LEONARD	55.75	10-04-04		43.70	
1720	HAMMONS, JOE	136.79	10-04-04		96.27	
1725	PADEN, NORM	31.17	10-07-04		22.26	
1730	MENDEZ, JOSE	29.98	10-07-04		24.14	
1751	LINDAY, DAVID L.	78.89	10-07-04		47.96	
1760	D HANSEN	50.36	10-07-04		39.71	
1767	WINNECKE, MARKUS	20.06	10-04-04		20.06	
1770	TRAMMELL, JOHN	20.06	10-15-04		20.06	
1785	GERRY EUGENE & MARTHA	20.06	10-12-04		20.06	
1800	MORROW, EDWARD D	20.06	10-05-04		22.57	
1810	TAYLOR, CURTIS	53.02	10-02-04		47.22	
1820	JOHNSON, JAMES	37.87	09-09-04	20.06	47.37	
1830	BURTON, ROBERT	25.21	10-07-04		22.93	
1840	FLORES-CHEVRON-STORAGE	181.83	10-21-04		20.06	
					=====	
				383.43	3112.66	



Current Rates

WHY UTILITY COMPANY, INC.
P.O. BOX 712B
WHY, ARIZONA 85321
APPLICATION FOR METER SERVICE

REQUIRED FROM APPLICANT:

- 1-\$ 40.00 SECURITY DEPOSIT-HOUSEHOLD.
- \$100.00 " " -COMMERCIAL.
- 2-\$50.00 IF CUSTOMER WISHES TO HAVE CULLIGAN FILTER UNIT. THE 3 FILTER SYSTEM FILTERS 45,000 GALLONS OF DRINKING WATER, LASTING 2 PERSONS APPROXIMATELY 6-7 YEARS. CUSTOMER'S COST FOR REPLACEMENT FILTERS \$100.00. TO BE PAID FOR AT TIME OF REPLACEMENT. ***PRICES DUE TO CHANGE WITHOUT NOTICE.
- 3-\$5.00 CO. MEMBERSHIP FEE IS OPTIONAL. MEMBERSHIP INTITLES MEMBERS TO ATTEND MONTHLY BOARD MEETINGS HELD 1st TUESDAY OF MONTH, 7 P.M., AT THE WHY COMMUNITY BUILDING. A VOTE IN THE YEARLY BOARD ELECTION. 3 DINNERS DURING THE YEAR, SPONSORED BY CO.

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No filters
any more*

NOTE: ALL REFUNDS ARE SUBJECT TO THE RULES AND REGULATIONS OF THE ARIZONA CORP. COMMISSION.

- 4-RATES: MINIMUM RATE 0 - 9,000 GALLONS \$19.00 + TAX - 5/8" METER
- 0- 9,000 GALLONS \$21.00 + TAX - 3/4" METER
- 0- 9,000 GALLONS \$23.00 + TAX - 1 " METER
- 0- 9,000 GALLONS \$25.00 + TAX - 1 1/2" METER
- 0- 9,000 GALLONS \$27.00 + TAX - 2" METER
- 0- 9,000 GALLONS \$31.00 + TAX - 3" METER
- 0- 9,000 GALLONS \$35.00 + TAX - 4" METER ✓

ONE MILL PER GALLON OVER THE MINIMUM. (\$ 1.00 PER THOUSAND + TAX.)

5-METER IS CONSIDERED IN SERVICE DAY OF TURN-ON.

6-DISCONNECT / RECONNECT FEE ~~2.50~~ + TAX.

7-METER RE-READ (CUSTOMER REQUESTED) \$2.50. THIS HAS TO BE DONE WITHIN 2 DAYS OF MONTHLY METER READING.

8-SERVICE LINE & METER CHARGES. (RELOCATION OR NO FORMER METER ON PROPERTY. AND / OR CHANGE OF SIZE OF METER.) ***PRICES DUE TO CHANGE WITHOUT NOTICE.

- 5/8" ~~\$150.00~~ ³⁰⁰ CONSTRUCTION INCLUDES 2 VALVES 1-18" CO. SIDE, OTHER 18" CUSTOMER SIDE.
- 3/4" \$170.00
- 1" \$200.00
- 1 1/2" \$300.00
- 2" \$450.00
- 3" \$550.00
- 4" \$700.00

9-ALL BILLS FOR WHY UTILITY CO. INC. SERVICE ARE DUE WITHIN 15 DAYS OF DATE RENDERED. ANY PAYMENT NOT RECIEVED WITHIN THAT TIME FRAME WILL BE PAST DUE.

THE DATE A BILL IS RENDERED OR REMITTED SHALL BE EVIDENCED BY THE POSTAL MARK.

10-ALL PAST DUE/DELINQUENT BILLS WHICH PAYMENT HAS NOT BEEN RECIEVED WITHIN 7 DAYS OF NOTIFICATION SHALL BE SUBJECT TO CO.'S TERMINATION PROCEDURES.

INTERNAL REVENUE SERVICE
DISTRICT DIRECTOR
1100 COMMERCE STREET
DALLAS, TX 75242-0000

DEPARTMENT OF THE TREASURY

Date: July 8, 1993

WHY UTILITY COMPANY
PO BOX 7128
WHY, AZ 85321

Employer Identification Number:
86-0254921Contact Person:
Ronald BenjaminContact Telephone Number:
(214) 767-3501Response Due Date:
July 29, 1993

Dear Applicant:

Before we can determine whether your organization is exempt from Federal income tax, we must have enough information to show that you have met all legal requirements. You did not include the information needed to make the determination on your Form 1023, Application for Recognition of Exemption Under Section 501(c)(3) of the Internal Revenue Code.

To help us determine whether your organization is exempt from Federal income tax, please send us the requested information by the above date. We can then complete our review of your application.

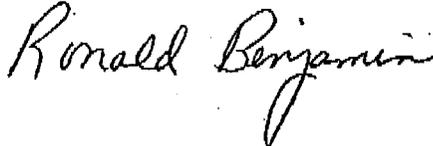
If we do not hear from you within that time, we will assume you do not want us to consider the matter further and will close your case. In that event, as required by Code section 6104(c), we will notify the appropriate state officials that, based on the information we have, we cannot recognize you as an organization of the kind described in Code section 501(c)(3). As a result, the Internal Revenue Service will treat your organization as a taxable entity. If we receive the information after the response due date, we may ask you to send us a new Form 1023.

In addition, if you do not provide the requested information in a timely manner, we will consider that you have not taken all reasonable steps to secure the determination you requested. Under Code section 7428(b)(2), your not taking all reasonable steps in a timely manner to secure the determination may be considered as failure to exhaust administrative remedies available to you within the Service. Therefore, you may lose your rights to a declaratory judgment under Code section 7428.

If you have any questions, please contact the person whose name and telephone number are shown in the heading of this letter.

Thank you for your cooperation.

Sincerely yours,



LETTER 1312(D0/C6)

All information should be furnished over the signature of a principal officer or other person acting with proper authorization.

Please mail the information requested in this letter to the following address:

Internal Revenue Service
EP/EO Division - MC 4913 DAEA
1100 Commerce Street
Dallas, TX 75242

1. Part I, item 1a is not your legal name as shown in your corporate document. Please indicate the application is intended to be for the entity named in the corporate document and that you will use the correct legal name in all future correspondence and filings with the IRS.

2. ~~You would not appear to qualify under any section of the Internal Revenue Code because you operate a commercial business as a substantial part of your operation (RV park). If you do not agree, please explain your position including providing any legal precedents to support that position.~~

It is possible some of your operations could be exempt. For instance, the water company could possibly be exempt under section 501(c)(12) of the Code. The fire department and community center you discussed could possibly be exempt under section 501(c)(3) of the Code. However, to get exemption for those operations they would have to be separated into two entities and each entity apply for exemption on its own. The RV park would have to be separated into an entity of its own. If you agree operations would not qualify for exemption as currently done and wish to make changes so that some operations could be exempt, you need to call and discuss as to the changes you are willing to make. At that time I would be able to tell you changes we would require and how to apply under the appropriate Code section. One application could be worked under user fee already provided but you would have to have another user fee for a second application. Also, depending on which operations you seek exemption for, the application form may have to be replaced and changes may be needed to the organizing documents.

3. Please list your various operations - water company, RV park, and community services (fire department and community center). For each operation indicate the percentage of time and of financial resources devoted to it.

Note: This is not a denial. If a denial is issued at a later date, you will be given your appeal rights at that time.