

OPEN MEETING AGENDA ITEM
ORIGINAL
Board of Supervisors



0000038253

Patrick G. Call
Chairman
District 1

Paul Newman
Vice-Chairman
District 2

Richard R. Searle
District 3



Jody N. Klein
County Administrator

Nadine Parkhurst
Clerk

January 9, 2006

The Honorable Jeff Hatch-Miller
The Honorable Mike Gleason
The Honorable Kristin K. Mayes
The Honorable William A. Mundell
The Honorable Maze Spitzer
Arizona Corporation Commission
1200 W. Washington
Phoenix, AZ 85007

AZ CORP COMMISSION
DOCUMENT CONTROL

2006 JAN 11 P 1:27

RECEIVED

Re: McLain Water Companies (W-01646A-05-0506
Rate Base Value Decision W-02316A-05-0506 W-01629A-05-0506
W-02230A-05-0506 W-02240A-05-0506
W-01868A-05-0506
Dear Commissioners: W-02235A-05-0506

The Cochise County Board of Supervisors held a special meeting on January 3, 2006 to address the County's position regarding the pending decision before the ACC as to the determination of a rate base value for all seven (7) of the McLain water systems.

We have been advised that the ACC staff has recommended a total Reconstruct Cost New (RCN) value of Two Million Four Hundred Forty-Two Thousand Eight Hundred Nineteen Dollars and Nineteen Cents (\$2,442,819.19) and has further recommended the RCN value be depreciated for the purpose of setting a rate base value to Five Hundred Forty Thousand One Hundred Forty-One Dollars and Ninety Cents (\$540,141.90).

We further understand that based on the evidence submitted to the Administrative Law Judge at the November 16, 2005 hearing, Judge Rodda has recommended to the Commission a rate base value of Seven Hundred Forty-Eight Thousand Eight Hundred Ninety-Three Dollars and Forty Cents (\$748,893.40). At the open meeting on December

29, 2005, Commissioner Gleason asked our legal advisor his opinion as to whether a value of Eight Hundred Thousand Dollars (\$800,000) would be favorable received by the Bankruptcy Court as the sale price for these seven (7) water companies.

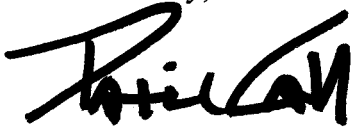
Please be advised that the undersigned believe it is critical to the citizens of Cochise County who are customers of these seven (7) water companies that the sale to Algonquin be approved as soon as possible and we will do all within our statutory authority to facilitate the Bankruptcy Court's approval of such sale while also assuring equity is afforded to the other tax payers of this County, the schools and special districts of the County who rely on these tax proceeds, and the individual citizens who have invested in tax certificates for McLain property.

While we are very concerned that a lower rate base value, as recommended by the ACC staff, will result in a substantial delay in the Bankruptcy Court's approval of the sale due to the current plan having to be amended and re-noticed as such lower sales price will not support the required plan payments. It is our further concern that any delay may result in the Algonquin sale being in jeopardy. The continued status of the interim operator, ASUA, in the event a sale is not quickly approved is also of utmost concern.

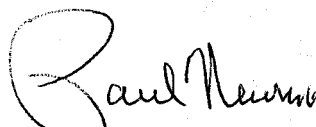
Please be assured that Cochise County remains flexible in the further compromise of our secured bankruptcy claim. There is no doubt that due to the large amount of administrative claims (including ASUA's claim) and the general unsecured claims which must be paid under the Plan, that both this County and ADOR must accept significant reductions to facilitate a sale even at a sales price of eight hundred thousand (\$800,000).

We appreciate your timely action in setting a special hearing on January 13, 2006 to vote on the rate base value determination.

Sincerely,



Patrick Call
Chairman



Paul Newman
Vice Chairman



Richard Searle
Member