

**BRADSHAW WATER COMPANY, INC.**

112 Grove Avenue Prescott, Arizona 86301

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Arizona Corporation Commission  
1200 W. Washington  
Phoenix, AZ 85007

Arizona Corporation Commission

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Re: Decision 64286

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Docket Control:

I am confused concerning Decision #64286. Paragraph 18 is misleading - expenses were disallowed. Actual expenses by Bradshaw were disallowed through accounting manipulation instead of attention to the facts. Paragraph 5 under Conclusions of law does not make any sense. Why is Bradshaw ordered to comply with Fact No. 24? What is a curtailment tariff? Why hasn't the Commission recognized the real and actual expenses incurred by Bradshaw? Why does the Commission insist that Professional Brokers manages Bradshaw in paragraph 29? Why did the Commission in Decision 60708 recognize salary and wages as correct but reclassified them in Decision 64286, when in both test years they were handled identically?

The Decision disallows \$7,202 in operating costs incurred by Bradshaw in the test year. The Company operating expenses reduction was accomplished through accounting manipulation by Staff reclassifying salaries and wages to outside services. Staff then capped outside services at \$14.50 per customer resulting in a \$7,202 expense reduction. Paragraph 18 of the Decision incorrectly states that salaries and wages were just reclassified, not disallowed. However, by disallowing \$7,202 in outside services, Staff effectively reduced salaries and wages by \$7,202. In Decision 60708 and in the supporting staff report for Docket No. W-02476A-97-0634, the Commission recognized that the \$5,400 paid to Lynx Creek Ranch, Inc. in the test year 1996 by Bradshaw for wages and salary was properly to be placed into category 601. Bradshaw pays salaries and wages in the identical manner as previously approved by the Commission in Decision 60708. Why the reclassification now? How can it be correct in 1996 and not in 2000? Bradshaw has continued to handle salaries and wages in the identical manner as previously approved but now it is to be reclassified?

If \$7,202 in salaries and wages were not disallowed then how am I to apply the reduction of \$7,202 to Bradshaw's operation? Staff allowed no credit for office rent and office supplies and expenses. Does the Commission want Bradshaw to have its own payroll services and pay for its office operation directly, even though it will cost Bradshaw more?

If Bradshaw had its own payroll, Don Lovell (manager) and Ruth Jones (secretary/bookkeeper) would be included in salaries and wages. Based on the test year, the wages for Don Lovell would be \$9,000. The wages for Ruth Jones would be \$4,400. Social Security and Medicare increases salaries and wages by 7.65%. Also, bookkeeping overhead is increased because it is necessary to take time to process payroll and its attendant monthly, quarterly and annual reports. Jones in the test year spent 7.5 hours per month doing monthly billing, and an additional 5 hours per week doing Bradshaw's secretarial and bookkeeping services. This would bring salaries and wages to \$14,425 for the test year.

If Bradshaw paid its expenses directly for its administrative operation, the cost would be as follows. The following figures assume an average of 86.75 customers per month in the test year:

Rent	\$1,450 including 100 square feet of office space, 2 filing cabinets, 1 desk, 1 chair, storage for past files
Postage	\$480 including postage for 14 mailings, plus mailings for payables, receipts and customer past due statements
Computers	\$600 including computer, monitor, printer and hard disk backup
Office supplies	\$1,040 - \$1.00 per customer per month
Telephone	\$588 including 1 business line with 2 telephone book listings
Copy Machine	\$190 - Copies at \$0.04 per copy at 4.6 copies per customer per month
TOTAL:	\$4,348

Please note that in the test year Professional Brokers charged \$5,429 for the office operation services listed above and for the wages of the secretary and bookkeeper (but not Lovell's salary). According to the above analysis the services provided by Professional Brokers was actually \$9,188 (\$4,348 plus \$4,400 plus 10% salary overhead). It is apparent that Bradshaw realized considerable cost savings by using the secretarial services, bookkeeping services, office equipment, office space and telephones provided by Professional Brokers.

If Professional Brokers itemizes its services to Bradshaw into the categories listed above will the Commission recognize them as eligible for category 621 and not reclassify them as outside services into account 630?

Paragraph 29 in Decision #64286 is wrong. Bradshaw is not managed by Professional Brokers. It is managed by Don Lovell who is salaried by the parent company of Bradshaw. Please define how Professional Brokers manages Bradshaw. I am at a loss to explain why the Commission insists that Professional Brokers, a real estate brokerage company, manages Bradshaw. Please advise.

Paragraph 5 of the Conclusion of Law section does not make sense. Are the paragraphs cited in the paragraph correct?

In the ORDER section on page 8 of the Decision, Bradshaw is ordered to comply with Staff recommendations as set forth in Findings of Fact #24. Is citation of Fact #24 correct?

On page 8 what is meant by Bradshaw "shall file a permanent curtailment tariff no later than 120 days"? What is a "permanent curtailment tariff"? Please advise.

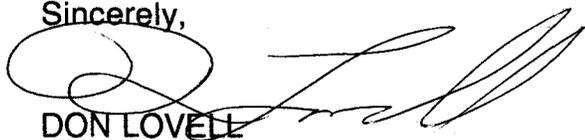
The message that Bradshaw is receiving by Decision # 64286 is that the Commission feels that Bradshaw is operating inefficiently. I find it hard to understand why legitimate expenses by Bradshaw are not taken into consideration by the Commission.

Please advise how I should appeal the Commissions decision.

In the past I have found the Commission staff very helpful and informative. In my last rate case before the Commission, it did not question the expenses that were submitted. My desire is to run Bradshaw efficiently and provide quality service to its customers. I thought I was operating Bradshaw efficiently. I cannot understand why the cost saving measures provided by Lynx Creek Ranch, Inc. doing payroll and Professional Brokers providing significant savings to Bradshaw are not recognized by the Commission. Tell me where my costs must be changed. Do not reclassify a block of expenses to outside services, then reduce outside services and then state that an expense is not disallowed!

I have a simple solution. Allow the \$9,000 to be posted to category 601, salaries and wages, as was the case in the previous Bradshaw rate case (see Decision 60708). With the \$9,000 restored to category 601, category 630, outside services, will not have to be reduced by \$7,202. With the \$7,202 restored, rerun the numbers regarding the rate of return allowed Bradshaw and set its rates accordingly.

Sincerely,



DON LOVELL

DL/rj