

ORIGINAL



**Winchester Water Company, LLC**  
**RECEIVED**

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2007 SEP 18 A 11: 09

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AZ CORP COMMISSION  
DOCKET CONTROL

September 17, 2007

Docket Control  
Arizona Corporation Commission  
1200 W. Washington St  
Phoenix, Arizona 85007

Arizona Corporation Commission  
**DOCKETED**

SEP 18 2007

Re: Winchester Water Company, LLC Application for Rate Increase  
Docket No. W-04081A-07-0466

DOCKETED BY	ne
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Gentlemen:

In response to Utilities Division, Financial & Regulatory Analysis Section Letter of Insufficiency, Winchester Water Company, LLC offers the following point by point responses.

- The revenue generated by the billing determinants (page 9) does not reconcile to the income statement (page 19) as required.* It is our understanding that this statement was made in response to the Financial Section running a spreadsheet based on averaging and coming up with a revenue figure that does not precisely match our actual revenue. When using an average, answers are not usually exact. However, we are attaching a spreadsheet, also based on bill counts for the year and our current, approved rates to show that the actual revenue figure is within 1.5% of the computed average revenue and, in fact, the monthly commodity charge (which is not really based on an average figure) is precise.
- The statement "The owners of Winchester Water Company, LLC had to provide financing for these new facilities personally..."*  
Winchester Water Company, LLC (Winchester Water) does not take in enough revenue on a monthly basis to cover large emergency repair bills or other large equipment purchases. So when a large bill comes in and there is not enough money, the owner personally provides the money to Winchester Water to pay the bill. This money then becomes an Accounts Payable to the owner and appears on the Balance Sheet as Account 231.
- Please reconcile the discrepancy in metered customers. The statement in support of rate request (page 6) shows 129 customers served, while the water Company plant description data sheet (page 17) shows 133 customer meters.* As stated on the water company plant description data sheet, page 17, we had (on December 31, 2006), 133 meters in the ground. However, as shown on the statements in support of rate request, page 6, and again in the bill count, page 30, we only billed 129 customers. This is because two customers have been turned off since 2004 at their own requests, another customer is deceased (also since 2004) and a fourth customer left the area in 2005. Consequently these

four customers were not sent bills in the base year and are not included in the bill count or the count of customers served.

4. *The application does not contain invoices for purchased power (Acct. 615, item 6), Repairs and maintenance over \$150 (Acct. 620, item 7), outside services over \$150 (Acct. 630, item 8) and water testing (Acct 635, item 9) for the test year (2006).*

These invoices were filed with the application as can be evidenced by the fact that they are all included in the online E-Docket filing of Winchester Water's rate application (between application pages 22 and 23). This filing, labeled as 0000075216.pdf, is available at <http://edocket.azcc.gov/> under the Documents heading.

5. *The application does not contain statements from the county for the property tax expenses incurred during the test year.*

Again, these statements were filed with the application and are available in the online E-Docket filing 0000075216.pdf. They are located right after the invoices referred to in Item 4 above.

6. *The following changes should be made on page 11 of the application...*

The changes to page 11 of the application have been made as requested and the amended page 11 is attached. It might be noted that the Customer Notification mailed on August 24, 2007, was e-mailed to the Arizona Corporation Commission's Consumer Services Section and was approved by that Section before it was mailed to our customers.

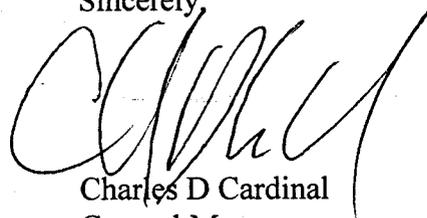
7. *The supporting documentation for plant additions is mislabeled as Item 4.*

Although the supporting documentation for plant additions actually reads "Water Rate Application Checklist Item #4.", we have relabeled all of the cover sheets as Mr. Brendan Aladi of the Financial Analysis Section of the Arizona Corporation Commission has requested and have enclosed these new sheets. We have also included relabeled cover sheets for the purchased power, repair and maintenance, outside services, water testing and property taxes invoices as requested by the Financial Analysis Section representative.

In response to the "not sufficiency items", Winchester Water Company, LLC has not hired any employees as of this date. Funds are still not available.

As for the personally provided financing, the money was needed immediately and not in three months (our vendors would not wait that long). Since there was no time to wait and since the money was privately advanced by the owner, there are no Commission decisions.

Sincerely,



Charles D Cardinal  
General Manager

Winchester Water Company, L.L.C.

Estimated Income Extracted from Actual Bill Count and Estimated Revenue in Each Commodity Charge

From Bill Count		Current Charges				Total All Charges
Gallage Range	Total Number of Bills for Year	Monthly Usage Charge at	Commodity Charges*			
		\$11.35	1 to 8,000 Gallons \$0.65	8,001 to 13,000 \$1.00	13,001 & up Gallons \$1.25	
0	58	\$658.30				\$658.30
1 to 1000	21	\$238.35	\$6.83			\$245.18
1001 to 2000	24	\$272.40	\$23.40			\$295.80
2001 to 3000	30	\$340.50	\$48.75			\$389.25
3001 to 4000	52	\$590.20	\$118.30			\$708.50
4001 to 5000	77	\$873.95	\$225.23			\$1,099.18
5001 to 6000	78	\$885.30	\$278.85			\$1,164.15
6001 to 7000	101	\$1,146.35	\$426.73			\$1,573.08
7001 to 8000	103	\$1,169.05	\$502.13			\$1,671.18
8001 to 9000	68	\$771.80	\$353.60	\$33.93		\$1,159.33
9001 to 10000	70	\$794.50	\$364.00	\$104.93		\$1,263.43
10001 to 12000	126	\$1,430.10	\$655.20	\$377.87		\$2,463.17
12001 to 14000	125	\$1,418.75	\$650.00	\$625.00		\$2,693.75
14001 to 16000	117	\$1,327.95	\$608.40	\$585.00	\$292.50	\$2,813.85
16001 to 18000	85	\$964.75	\$442.00	\$425.00	\$425.00	\$2,256.75
18001 to 20000	75	\$851.25	\$390.00	\$375.00	\$562.50	\$2,178.75
20001 to 25000	122	\$1,384.70	\$634.40	\$610.00	\$1,448.75	\$4,077.85
25001 to 30000	61	\$692.35	\$317.20	\$305.00	\$1,105.63	\$2,420.18
30001 to 35000	42	\$476.70	\$218.40	\$210.00	\$1,023.75	\$1,928.85
35001 to 40000	20	\$227.00	\$104.00	\$100.00	\$612.50	\$1,043.50
40001 to 50000	22	\$249.70	\$114.40	\$110.00	\$880.00	\$1,354.10
50001 to 60000	14	\$158.90	\$72.80	\$70.00	\$735.00	\$1,036.70
60001 to 70000	4	\$45.40	\$20.80	\$20.00	\$260.00	\$346.20
70001 to 80000	1	\$11.35	\$5.20	\$5.00	\$77.50	\$99.05
80001 to 90000	1	\$11.35	\$5.20	\$5.00	\$90.00	\$111.55
90001 to 100000	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Over 100,000	0	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
133060	1	\$11.35	\$5.20	\$5.00	\$150.08	\$171.63
<b>Total Bills</b>	<b>1498</b>	<b>\$17,002.30</b>	<b>\$6,591.00</b>	<b>\$3,966.74</b>	<b>\$7,663.20</b>	<b>\$35,223.24</b>

\* These amounts were obtained by multiply the average in each gallonage range times the number of bills in that range times the commodity charge. For instance in the gallonage range 14001 to 16000 the average is 15000, & total charges are calculated as:

Tier 1 8000 / 1000 x 117 x \$0.65 = \$608.40; Tier 2 13000-8001 / 1000 x 117 x \$1.00 = \$585.00; Tier 3 15000-13001 / 1000 x 117 x \$1.25 = \$292.50

Monthly Usage Charge would be \$11.35 x 117 = \$1327.95. Total Charges would be \$608.40 + \$585.00 + \$292.50 + \$1327.95 = \$2813.85

**Total Actual Metered Revenue for Test Year - Account No. 461 on Comparative Statement of Income and Expenses (Page 19)**

Monthly Usage Charge	\$17,002.30
Per Gallon Commodity Charge	\$18,751.85
S/T	\$35,754.15 (Within 1.5% of Total All Charges Above)
Late Payment Charges, NSF Charges	\$291.53
Establishment Charges, Reconnection Charges	\$320.39
<b>Total Metered Revenue for Test Year</b>	<b>\$36,366.07</b>

## NARRATIVE DESCRIPTION OF APPLICATION FOR RATE ADJUSTMENT

The first and only rate increase for Winchester Water Company, LLC, since the company was built in the early 1960's, was granted September 24, 2002. The rate increase was based on the 69 residential customers that the company had on December 31, 2000. Today the water company has 131 customers, all residential. Not a large customer base, but almost double that of 2000. Winchester Water Company, LLC predicts continued growth in the future, although probably not at the rapid rate it has recently experienced.

To accommodate this increase in customers a second well and pumping facilities, a new storage tank, and a new pressure tank have been added to the system with the new well beginning production in early 2005. Although these new facilities were addressed in the 2002 rate adjustment decision, the estimated costs in 2000 were figured to be \$78,018.00. In actuality the costs incurred were \$129,000.00, 65% over the original estimate. The owners of Winchester Water Company, LLC had to provide financing for these new facilities personally along with providing money to cover some rather large emergency repairs, especially after summer storms. The monthly payment to repay this loan even at a 7.5% interest rate is considerable.

Winchester Water Company LLC has owned and operated the water company since 1987 and has operated at a loss every single year. We have complied with all requirements necessary to insure good water in sufficient quantity to satisfy the needs of this growing community even though there has never been enough money generated from existing rate levels to run this business on a most meager level, which we did not do. We made sure there were adequate facilities at all times. This rate increase will help to get Winchester Water Company LLC financially able to meet its obligations.

We presently don't have enough revenue to pay for any of the labor required to make repairs, install meters, read meters, prepare the monthly statements, postage to mail monthly statements, the many follow up letters, and calls to collect past due billings, or mileage to and from this remote location. The manager and his family are doing all this for no pay, and we now need to hire personnel for these tasks as the family members have jobs and families of their own.

In summary, this Water Company is not surviving on the present rate structure. Winchester Water Company, LLC needs a rate increase which will permit it to continue providing its customers with their current level of service and to provide for current and future repairs and replacements.

Company Name: WINCHESTER WATER COMPANY, LLC	Test Year Ended: 12/31/06
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**CURRENT AND PROPOSED SERVICE CHARGES**

CUSTOMER CLASS:  Residential  Commercial  Industrial  
 Irrigation  All  Other, specify \_\_\_\_\_

SERVICE LINE AND METER INSTALLATION CHARGES	CURRENT CHARGES	PROPOSED CHARGES
5/8" X 3/4" Meter	\$ 400.00	\$ 450.00
3/4" Meter	\$ 470.00	\$ 500.00
1" Meter	\$ 550.00	\$ 565.00
1-1/2" Meter	\$ 785.00	\$ 800.00
2" Meter	\$ 1,375.00	\$ 1,390.00
3" Meter	\$ 1,975.00	\$ 1,990.00
4" Meter	\$ 3,040.00	\$ 3,055.00
6" Meter	\$ 5,635.00	\$ 5,650.00

Establishment	\$ 25.00	\$ 25.00
Establishment (after hours)	\$ 40.00	\$ 40.00
Reconnection (delinquent)	\$ 25.00	\$ 30.00
Reconnection (delinquent) after hours	\$	\$
Meter Test (If Correct)	\$ 25.00	\$ 25.00
Deposit	Per Commission Rule A.A.C. R14-2-403(B)	Per Commission Rule A.A.C. R14-2-403(B)
Deposit Interest	Per Commission Rule A.A.C. R14-2-403(B)	Per Commission Rule A.A.C. R14-2-403(B)
Re-establishment (within 12 months)	Months off system times the minimum	Months off system times the minimum
NSF Check	\$ 10.00	\$ 20.00
Deferred Payment (per month)	1.50 %	1.50 %
Meter Re-read (If Correct)	\$ 10.00	\$ 20.00
Late Payment Charge - per month	\$ 1.50	\$ 1.50

**Note: If rates and charges vary across customer classes, duplicate the form and complete one for each rate class. (e.g., residential, commercial) unless "All" is checked.**

**WINCHESTER WATER COMPANY, LLC**

**INVOICES FOR ASSET PURCHASES FOR 2001**

**ItemNo: 000**  
**Total:**  
**0.00 \***

**2,020.60 +**  
**1,775.98 +**  
**6,496.78 +**  
**666.05 +**  
**870.00 +**

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**ItemNo: 005**  
**Total:**  
**11,829.41 \***

**WINCHESTER WATER COMPANY, LLC**

**INVOICES FOR ASSET PURCHASES FOR 2002**

ItemNo:            000  
                         Total:  
                         0.00 \*

                         620.59 +  
                         1,500.00 +  
                         2,141.49 +  
                         546.00 +  
                         37.56 -  
                         701.43 +

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ItemNo:            006  
                         Total:  
                         5,471.95 \*



**WINCHESTER WATER COMPANY, LLC**

**INVOICES FOR ASSET PURCHASES FOR 2004**

-----  
ItemNo.:           **000**  
                  Total:  
                  **0.00** \*

**3.506.44** +  
**2.975.00** +  
**24.000.00** +  
**26.267.08** +  
**1.931.01** +  
**10.000.00** +  
**1.130.64** +  
**18.133.87** +

-----  
ItemNo.:           **008**  
                  Total:  
                  **87.944.04** \*

**WINCHESTER WATER COMPANY, LLC**

**INVOICES FOR ASSET PURCHASES FOR 2005**

ItemNo.: 000  
Total:  
0.00 \*

224.45 +  
4,100.00 +  
206.03 +  
1,225.00 +  
9,725.46 +  
14,139.50 +  
5,794.00 +

-----  
ItemNo.: 007  
Total:  
35,414.44 \*



**WINCHESTER WATER COMPANY, LLC**

**INVOICES FOR PURCHASED POWER FOR 2006**

Item #6, Account No. 615

..0.. CA

-----  
ItemNo.: 000  
Total:  
0.00 \*

12.51 +  
563.95 +  
518.05 +  
12.51 +  
527.11 +  
12.51 +  
12.54 +  
727.08 +  
778.83 +  
13.06 +  
982.47 +  
112.78 +  
245.45 +  
552.67 +  
480.22 +  
145.10 +  
752.41 +  
12.23 +  
12.23 +  
601.74 +  
12.23 +  
564.02 +  
12.23 +  
606.76 +

-----  
ItemNo.: 024  
Total:  
8,270.69 \*

**WINCHESTER WATER COMPANY, LLC**

**INVOICES FOR REPAIR AND MAINTENANCE FOR 2006**

Item #7, Account No. 620

..0.. CA

-----  
ItemNo.: 000  
Total:  
0.00 \*

165.00 +  
284.35 +  
382.57 +

-----  
ItemNo.: 003  
SubTotal:  
831.92 ◊

UNDER 150.  
EA. - INVOICES → 639.06 +  
NOT INCLUDED

-----  
ItemNo.: 004  
Total:  
1.470.98 \*

# WINCHESTER WATER COMPANY, LLC

## INVOICES FOR OUTSIDE SERVICES FOR 2006

Item #8, Account No. 630

ItemNo.:	000	
	Total:	
	0.00	*
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	275.00	+
	175.00	+
	620.00	+
	202.50	+

*UNDER \$150. EA  
INVOICE NOT  
INCLUDED*

569.61 +

..0... CA

ItemNo.:	000	
	Total:	
	0.00	*
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	40.00	+
	150.00	+
	150.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+
	30.00	+

ItemNo.:	017	
	Total:	
	5,142.11	*

← INVOICES FOR LAB TESTING FEES FOR 2006

Item #9, Account No. 635.

ItemNo.:	014	
	Total:	
	670.00	*

**WINCHESTER WATER COMPANY, LLC**

INVOICES FOR WATER TESTING FOR 2006

Also see Tape for Lab Testing Fees

On Cover Page for Outside Services (Water/Wastewater Invoices)

Item #9, Account No. 635

..0.. CA

-----  
ItemNo.: 000  
Total:  
0. \*

573.82 +  
589.24 +  
80. +

-----  
ItemNo.: 003  
SubTotal:  
1.243.06 ◊

(LAB FEES  
SEE ITEM 10  
WITH ITEM 9  
COVER SHEET)  
ItemNo.: 004  
Total:  
1.913.06 \*

**WINCHESTER WATER COMPANY, LLC**

**PROPERTY TAX STATEMENTS FOR 2006**

Item #10, Account No. 408.11

ItemNo.:	000
	Total:
	0. *
	38.32 +
	35.2 +
	38.32 +
	38.32 +
	14.04 +
	14.04 +
	14.04 +
	1,293.16 +
	21.64 +

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ItemNo.:	009
	Total:
	1,507.08 *