

ORIGINAL



0000077622

RECEIVED

Jim West
Direct Line
602.570.4557

jimwest@365coronado.com

2007 OCT 11 A 11:09
October 11, 2007

AZ CORP COMMISSION
Key Control
Attorney, Legal Division
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, Arizona 85007-2927

Arizona Corporation Commission

DOCKETED

OCT 11 2007

DOCKETED BY 

Re: Response to Staff's First Set of Data Requests to Wilhoit Water Company, Inc.
(Blue Hills) - Docket # W-02065A-07-0313

Dear Mr. Torrey:

Please accept the following as Wilhoit Water Company, Inc. **BLUE HILLS's** response to Staff's First Set of Data Requests dated September 14, 2007.

DRE-1.1 Please provide a copy of the general ledger.

Please see attached Exhibit A.

DRE-1.2 Please provide a copy of all papers used in preparing the application.

The papers are available with the submittals of Thunderbird Meadows and Yavapai Mobile Home Estates responses.

DRE-1.3 It appears that the Dells Water Company is not being allocated any company-wide expenses. Please provide the rationale for allocating company-wide expenses only to the Wilhoit companies and no allocation to Dells.

As we have discussed before, Dells was not allocated any common costs (which was a decision by the late Robert Conlin). We were prepared to revise the allocations and had drawn up an allocation schedule for ACC review, but we were instructed to not make the changes we proposed.

However, the Dells Company was allocated a disproportionate percentage of the rent for the two buildings used for water company business. It is our understanding that this disproportionate allocation was to partially make up for the fact that other common costs were not share by Dells.

365 East Coronado
Suite 200
Phoenix, AZ 85004
602.230.0066
FAX 602.604.0004

DRE-1.4 Does the Company plan to hire a new manager to perform the management duties previously performed by Robert Conlin? If so, provide details to all efforts made to hire a new manager (advertising, interviews, etc.)

No. David and Anne Conlin are serving as Managers of the Thunderbird Meadows Water System.

DRE-1.5 Please provide any payroll records including, but not limited to, W2's, W3's, timesheets, and filed work reports that can document work performed by employees for BH during the test year.

Please see attached Exhibit B.

DRE-1.6 Are there any test year employees that are no longer with the Wilhoit Company? If an employee has left the Company, have they been replaced and, if so, have they been replaced at a comparable salary or wage?

Gemma Behlow was severed in June of 2006.

Deborah LaRue was severed on 6/22/07.

Margaret A. Rice was hired as a replacement for Deborah LaRue and was severed with severance pay on 6/28/07.

Neal O'Donovan Conlin started 7/1/07 and will be leaving in a few weeks. He is the billing clerk and is paid \$10.00 per hour at 16.0 hours per week worked exclusively for the water companies.

Denise Flora was hired as a replacement for Margaret A. Rice and began receiving payroll from Wilhoit on 9/17/07.

DRE-1.7 Are any test year employees of the regulated water companies also employees of other owned entities? If so, please provide details as to how their salaries are allocated between the water companies and other entities.

Each staff member is employed by the water companies and by Glenarm Land Company. The payroll amounts provided are only those paid by Wilhoit Water Company for services provided to the water companies, only. The services provided to Glenarm are paid directly by Glenarm. See more explanations, below. There was an error on the last staff sheet provided due to net vs. gross figures provided by the last bookkeeper. The sheet has been revised and is provided here as Exhibit B.

DRE-1.8 Please describe in detail any operating or administrative facilities that the Company shares with other entities. Please provide the basis for allocating shared costs between these entities and the water companies.

There is no written lease. Blue Hills and the other Wilhoit and Dells Water Companies are allocated a certain amount per month for their portion of the rent for a 1,027 square foot building at 910 1st South Street in Clarkdale and a 3,000 square foot building at 2233 North 7th Street in Phoenix. The water companies are being charged based on a 50% use of the Clarkdale office and a 10% use of the Phoenix office with an effective rent of approximately \$11.35 per square foot. Blue Hills effectively rents a 77 sq. ft in Clarkdale and 46 sq. ft. in Phoenix.

DRE-1.9 Please describe all abnormal or non-recurring events during the test year that are known to have materially impacted revenues, expenses or rate base.

In regard to Blue Hills #3, the test year was fairly normal.

DRE-1.10 What is the square footage of the building for the Company's claimed rent expense?

Please see response DRE-1.8.

DRE-1.11 For account 641 Rents, please explain how the Company computed total Rents, given that the building is owned by common owners. Please provide any supporting documents including a copy of the rental contract that would support the estimated total rent expense the Company is claiming.

Please see response DRE-1.8.

DRE-1.12 Please provide a summary of Rent Expense that the Company has recorded on an annual basis for the past five years.

The Company recorded Rent Expense for Blue Hills the following amounts: 2006 - \$1,440; 2005 - \$1,440; 2004 - \$1,440; 2003 - \$1,008; 2002 - \$864.

DRE-1.13 Please provide any invoices to support the office supplies and expense being claimed by the Company for the test year. If no invoices exist, please describe in detail what types and approximate amounts of the office expenses that the Company typically incurs during a year.

For 2006, office supplies and expenses totaled about \$504. This was the amount allocated to Blue Hills for its share of phone, bank charges, postage, printer ink, paper, etc. Typically phone charges would be about \$150; bank charges \$60; postage \$60; paper, ink etc. \$250.

DRE-1.14 Please provide a summary of Office Supplies and Expense the Company has recorded on an annual basis for the past five years.

Based on the information available; Blue Hills was allocated the following for 2002-2006: phone \$614.88; postage \$297.06; bank charges \$531.58 and paper, ink, etc. \$875.04.

DRE-1.15 Please provide an explanation along with supporting documentation to justify the proposed increase for the following service charges:

- a) Establishment
- b) Reconnection (delinquent)
- c) Meter Test
- d) NSF Check
- e) Meter Re-read
- f) Late Fee

All of the charges proposed were derived by using other company standard charges and through discussion with Corporation Commission staff.

DRE-1.16 Please provide the number of times during the test year that the Company billed customers for the services charges listed above.

- a) 0
- b) 1
- c) 0
- d) 1
- e) 0
- f) 0

DRE-1.17 Please provide the Company's property tax bill for the test year and its most recent property tax bill.

Attached is a copy of the Company's most recent tax bill.

DRE-1.18 Please provide a detailed schedule along with documentation of the components of Account 408 Taxes other than Income. The schedule

should clearly depict the different transactions/invoice amounts that comprise the Company's claimed expense.

Please see Exhibit C.

DRE-1.19 Please provide a detailed schedule along with documentation for Miscellaneous Expenses.

The original application included an amount for miscellaneous expenses provided by the late-Robert Conlin. When preparing lead sheets for each of the sites, we found only \$741.45 of physical miscellaneous invoices for the Wilhoit Water sites. Based on the prorations used (20% for BH), the miscellaneous expense data which had historical data support was then revised to \$148.29. It is unknown from what the original miscellaneous expense figure was derived, so verification for the original amount is unavailable.

DRE-1.20 Please submit a copy of the general liability insurance policy.

Please see attached Exhibit D.

DRE-1.21 Please provide a summary of insurance expenses for general liability for the past five years.

For 2007, Wilhoit paid \$2,760 for water company liability. We believe the expenses for previous years have been similar.

DRE-1.22 Regarding general liability insurance:

a) Does the policy cover Dells?

Yes.

b) Does the property cover property other than that of Dells or Wilhoit?

No.

c) If so, please describe in detail the allocation method used.

DRE-1.23 Who is K.L. Roth and what water property maintenance does he perform for the Company? Please provide invoices from K.L. Roth for the expense transactions the Company is claiming.

K.L. Roth lives at 21 Liberty Lane adjacent to the Dells well sites. She cleans up the property for the Dells Water Company. K.L. mows the area and cleans it up 4 or 5 times a year on an "as-needed" basis.

DRE-1.24 Are there any lobbying fees associated with the 2006 membership dues that the Company paid to the Water Utilities Association of Arizona?

We are not aware of any lobbying fees associated with the 2006 membership dues.

DRE-1.25 Regarding BHMR-9, is this expense for the purchase and installation of a fence to protect a water tank?

Yes.

DRE-1.26 Exhibits ASRM 40-42 appear to be invoices for finance charges. Please explain the nature of these charges and if the charges were subsequently refunded or credited by the vendor.

We have no record of the finance charges been refunded or credited to the Company.

Please notify us if there any further questions or concerns.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim West", with a long horizontal flourish extending to the right.

Jim West

/attachments