

ORIGINAL
Rancho Del Conejo Community Water Co-op
13130 W. Rudasill Rd.
Tucson, AZ 85743
520-682-8335



28

RECEIVED
2007 DEC 17 P 2:20
AZ CORP COMMISSION
DOCKET CONTROL

December 14, 2007

Re: Docket #W-02102B-07-0273 & W-02102B-07-0163 – Rebuttal to Staff Report

To Whom It May Concern:

Please consider this a rebuttal to the Staff report dated December 5, 2007 regarding the above noted docket numbers.

This letter is in response to the Arizona Corporation Commission (“ACC”) Staff report concerning Rancho Del Conejo Community Water Co-op’s (“RDCCWC”) request to approve a permanent rate increase and a financing approval for arsenic removal.

In summary, the ACC Staff report recommended a rate increase of \$15,608 annually. This will raise a typical residential monthly bill by only \$0.88 cents. Staff also recommended approval of a Water Infrastructure Finance Authority (“WIFA”) loan which would increase a typical monthly residential bill by \$4.13. This will make the increase to the typical monthly residential bill a total of \$5.89 or 20.9 percent, 17.2 percent of which provides funds to pay back the WIFA loan and the other 3.7 percent for repairs, maintenance, arsenic media replacement, etc.

The first issue, and as anyone familiar with water systems operations knows, is that equipment failures are frequent and as with many aging water systems across Arizona repairs and maintenance are inevitable and expensive. The cost for maintaining a water system has risen since 1996, which was the date of RDCCWC's last rate increase. Rising costs include labor costs, insurance costs, sub-contractors and equipment costs, etc. Therefore, having a repairs and maintenance fund for backup is essential. One motor or pump failure can be very costly and could drain any reserve that may be available in short order.

RDCCWC feels that a \$0.88 increase is not enough to cover the rising operational costs. To date they have been fortunate as no major problems have occurred but, as we stated before, the infrastructure is aging and problems are likely in the future. We feel that the cost to maintain the arsenic remediation system was not taken into consideration by Staff at all. Ongoing costs run approximately \$30,000 at which time the Titanium media that removes the arsenic from the water needs to be replaced. This media lasts anywhere from one to two years.

Secondly, we feel the monthly minimum charge should be more as this has been the minimum charge for 11 years. We have contacted similar water companies in the surrounding areas of which have a monthly usage charge for 5/8” x 3/4” meter of anywhere from \$28.29 to \$30.00 and a per 1,000 gallon charge of from \$2.20 to \$3.50 and up for various tiered rates.

Arizona Corporation Commission
DOCKETED

DEC 17 2007

DOCKETED BY	nr
-------------	----

Thirdly, we do not agree with the "reduction" of the "per thousand" rate of \$1.40 for the first 3,000 gallons and an increase of only \$0.10 for 3,001 to 10,000 gallons. RDCCWC's average water usage falls within the ladder range so a \$0.10 increase per thousand does not allow for much of an increase. We realize that this is Staffs attempt to promote conservation; however, as shown in the previous paragraph, we feel the company proposed rates should be considered or at least a variation thereof allowing a moderate increase reflecting more than an \$0.88 increase for operation and maintenance as well as arsenic media replacement.

Lastly, the company agrees that it will cease collecting membership fees that the previous Board continued to collect.

We respectfully request that Staff reconsider their proposal and allow this water company to remain viable as well as continue to fund ongoing Titanium media replacement, a repair and maintenance fund for emergency situations and daily operations.

Our commitment is to foresee future problems before they occur and be prepared financially to confront any additional operational costs to keep RDCCWC a viable, reliable water system which our Co-op can be proud of.

Sincerely,

A handwritten signature in black ink that reads "Albert Lannon". The signature is written in a cursive style with a large initial "A" and "L".

Albert Lannon, President