

ORIGINAL

OPEN MEETING AGENDA ITEM

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



0000083618

RECEIVED

2008 APR -3 A 10:44

AZ CORP COMMISSION
DOCKET CONTROL
March 27, 2008

Arizona Corporation Commission

DOCKETED

APR 03 2008

DOCKETED BY	NR
-------------	----

Re: Docket #W-02102B-07-0273 & W-02102B-07-0163 – Exceptions to recommendations

To Whom It May Concern:

Please consider this an exception to the Administrative Law Judge, Ms. Jane Rodda's recommendation dated March 21, 2008 regarding the above noted docket numbers.

This letter is in response to Ms. Rodda's recommendations concerning Rancho Del Conejo Community Water Co-op's ("RDCCWC") request to approve a permanent rate increase and a financing approval for arsenic removal.

Firstly, the Ms. Rodda's report recommended a rate increase of approximately \$1.88 per median bill per month and upon receiving further information from the Water Infrastructure Finance Authority ("WIFA"), an additional \$4.13 per month for the arsenic remediation. This item would be shown on the monthly bill as an "arsenic surcharge". This will make the increase to the typical monthly residential bill a total of \$5.89 per month overall, allowing only for additional funds to pay back the WIFA loan and nothing for the arsenic operation and maintenance that will need to be replaced at a cost of an additional \$15,800.00 every one to two years. This allows a very small increase for day to day operations.

In speaking with WIFA, they have stated that the rate, as it stands now, would be Prime 5.25% plus 2% times a subsidy index rate of .7 which would equal approximately 5.075%. Of course, as we all know, this fluctuates daily.

Keep in mind that the current rates have been in effect since 1996. Surely this rate increase does not allow for increased costs for utilities, contractors, infrastructure maintenance, insurance, etc.

Again, as in my Staff rebuttal letter dated December 14, 2007, 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. 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 this increase, a total of approximately \$3,500.00 a year, is not enough to cover the rising operational costs.

We feel that the cost to maintain the arsenic remediation system needs to be addressed and was not taken into consideration within the current proposed rates as it was recommended that the company come back for review when it has a history of costs.

In the interim, the company will be required to spend an additional \$15,800 every one to two years to maintain the arsenic removal equipment and will have no rates to help with the additional expense.

I recently spoke to the vendor that supplies this media and he assures me that the cost of operations & maintenance for arsenic is typical as we have stated and sometimes more or less depending on the gallons pumped through the system.

Secondly, again while we appreciate that Ms. Rodda allowed an additional \$1.00 per month for the monthly usage charge per meter size, we feel the monthly minimum charge should be more as this has been the minimum charge for the past 11 years. We have contacted similar water companies in the surrounding areas 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 from \$2.20 to \$3.50 and up for various tiered rates.

We also do not agree with the "reduction" of the "per thousand" rate to \$1.40 for the first 3,000 gallons and an increase of only \$0.45 for 3,001 to 7,000 gallons and \$.10 for \$7,001 to \$10,000 . RDCCWC's average water usage falls within this range so the recommended increase per thousand does not allow for much additional revenue. We realize that this is an attempt to promote conservation; however, we feel the company proposed rates should be considered or at least a variation thereof allowing a moderate increase reflecting more than a \$1.88 median water bill increase for operation and maintenance with nothing considered for arsenic remediation media replacement.

The company does agree that it will cease collecting membership fees that the previous Board continued to collect.

We respectfully request that the Commission reconsider this recommendation and allow this water company to remain viable, continuing day to day operations as well as fund the additional cost of the ongoing titanium media replacement, and maintain a repair and maintenance fund for emergency situations.

Once again, we are committed to foresee and fund future problems before they occur and be prepared financially to confront any additional operational costs to keep RDCCWC a viable, reliable water system and bypass the need for future financing.

I have attached a breakdown of present revenues compared to the rates as suggested by Ms. Rodda.

Thank you for your consideration of our request.

Sincerely,

Albert Lannon
by BOC

Albert Lannon, President

Enclosure

COMPANY: Rancho Del Conejo Community Water Co-op., Inc.

Docket #'s W-02120B-07-0273 & W-02102B-07-0163

	<u>Per ALJ RATES</u>	<u>PRESENT RATES</u>	<u>DIFFERENCE</u>
Meter Size	Total Bill Amt	Meter Size Total Bill Amt	
5/8"	\$127,818.35	5/8" \$109,465.73	\$18,352.63
3/4"	\$5,446.70	3/4" \$4,725.48	\$721.22
1"	\$4,526.95	1" \$3,960.38	\$566.58
Total	\$137,792.00	Total \$118,151.58	\$19,640.43
Amt Billed	\$118,368.57	Amt Billed \$118,368.57	
<u>Increase:</u>	\$19,423.43	Difference \$217.00	\$19,206.44 Additional Revenue
			Yearly <u>(\$15,800.00)</u> Arsenic O&M Costs
		Total Additional Revenue	\$3,406.43

When WIFA information is obtained and a surcharge is requested by the company to cover the debt at that time an additional \$4.13 per meter (approx) revenue will be for debt coverage only and is not included in the revenue figures or rates above.