

ORIGINAL



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MEMORANDUM
RECEIVED

TO: Docket Control
FROM: Ernest G. Johnson
Director
Utilities Division

2008 AUG 26 P 2: 59

AZ CORP COMMISSION
DOCKET CONTROL

DATE: August 26, 2008

RE: ADDENDUM TO STAFF REPORT FOR YARNELL WATER IMPROVEMENT ASSOCIATION FOR A PERMANENT RATE INCREASE AND FINANCING (DOCKET NO. W-0-2255A-07-0570 AND DOCKET NO. W-02255A-08-0355)

On October 5, 2007, Yarnell Water Improvement Association ("Company") filed an application with the Arizona Corporation Commission requesting a permanent rate increase. On June 23, 2008, Staff filed its Staff Report pertaining to this filing.

Subsequent to Staff's filing of its Staff Report, the Hearing Division issued a procedural order dated July 7, 2008, requiring the Company to file a financing application. The time clock was suspended. In 2006, the Company purchased a new Ford truck on long-term financing with Ford Credit Company without Commission approval for long-term financing. The Company filed a financing application on July 14, 2008, seeking retroactive Commission approval of this financing. The instant financing application is for the new Ford truck purchased in 2006. The rate case application and the financing application were consolidated by procedural order dated August 14, 2008.

Staff reviewed the financing application. The financing application amount of \$19,827 is the same amount that Staff recommended in its filed Staff Report to be retroactively approved. Staff's Report was docketed on June 23, 2008.

Staff recommends that the financing for the new Ford truck be approved retroactively. The Staff-recommended debt service coverage of 1.66 in its Staff Report, produces sufficient revenue to service the Company's debt and for contingencies. See Schedule CRM-15. Staff's recommended rates already include sufficient revenue to service the debt.

EGJ:CRM:kdh

Originator: Charles R. Myhlhousen

Attachment: Engineering Memorandum
Original and fifteen copies

Arizona Corporation Commission
DOCKETED

AUG 26 2008

DOCKETED BY	
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Service List for: Yarnell Water Improvement Association Inc.
Docket Nos. W-02255A-07-0570 and W-02255A-08-0355

Ms. Tammy Zudell
Yarnell Water Improvement Association
Post Office Box 727
Yarnell, Arizona 85362

Ms. Janice M. Alward
Chief Counsel, Legal Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Mr. Ernest G. Johnson
Director, Utilities Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Ms. Lyn Farmer
Chief, Hearing Division
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

Yarnell Water Improvement Association
Docket No. W-02255A-07-0570
Test Year Ended December 31, 2006

Schedule CRM-15

Line No.	<u>TIER AND DSC</u> <u>SCHEDULE</u>	
1	Operating Income	\$ 59,772
2	Depreciation & Amort.	\$ 35,393
3	Income Tax Expense	0
4		
5	Interest Expense	\$ 19,091
6	Repayment of Principal	\$ 38,399
7		
8		
9	TIER	
10	[1+3] ÷ [5]	3.13
11	DSC	
12	[1+2+3] ÷ [5+6]	1.66

MEMORANDUM

DATE August 18, 2008

TO: Charles Myhlousen
Public Utility Analyst III

FROM: Dorothy Hains, P. E. *DH*
Utilities Engineer

RE: **Financing Application for Yarnell Water Company, Inc.**
Docket No. W-02255A-08-0355

On July 7, 2008, by Procedural Order, Yarnell Water Company ("the Company") was ordered to file an application for approval of a financing for the purchase of a pick-up truck. Staff was ordered to file a separate Staff Report on the financing application, thereafter. On July 14, 2008, the Company filed a financing application requesting Commission approval of long term financing in the amount of \$19,827.46 for the purchase of a Ford pick-up truck.

According to information contained in the application the Ford truck was needed to replace a small 1990 Toyota pick-up truck that was no longer running. According to the Company, repairs to the Toyota truck would have cost more than what the truck was worth. In May 2006, the Company purchased a heavy duty Ford truck to replace the Toyota truck. Staff observed during its site inspection that the Ford truck was being used for Company purposes and that it was being used to haul Company tools and equipment in very rough conditions while the Company conducted water meter reading, replaced pipelines, meters, and valves and other performed field work.

Staff concludes that the purchase of the Ford truck was appropriate and the purchase amount reasonable.