

ORIGINAL

INTERVENTION



0000093184

January 28, 2009

RECEIVED

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

2009 JAN 29 A 10:41
AZ CORP COMMISSION
DOCKET CONTROL

RE: MOTION TO INTERVENE in the Application of Appaloosa Water Company for an increase in its Rates and Charges for utility service.

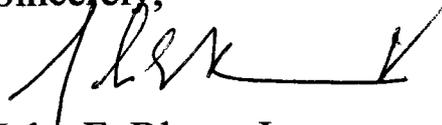
DOCKETS No. W-03443A-08-0177 & W-03443A-08-0313

My name, address and telephone number are listed below.

I wish to intervene in the application for increases in the Water Rates and Charges filed by Appaloosa Water Company. I am a residential customer of the utility and therefore have an interest in the ramifications of an additional increase in the water rates.

I hereby certify that a copy of this Notice of Intervention has been mailed to Appaloosa Water Company, P.O. Box 3150, Chino Valley, Arizona 86323.

Sincerely,



John E. Blann, Jr.
2925 Harrison Drive
Chino Valley, AZ 86323
Telephone: (928) 636-2087

**CC: Arizona Corporation Commission (13)
Appaloosa Water Company (1)**

Arizona Corporation Commission

DOCKETED

JAN 29 2009

DOCKETED BY 

2925 Harrison Drive
Chino Valley AZ 86323
June 22, 2008

Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

Re: Appaloosa Water Company (W-03443A) request for Rate Increase, Public Water
System Number AZ04-13-208, Docket Number W-03443A-08-0313
Dockets No. W-03443A-08-0177 & W-03443A-08-0313

Dear Commission Members:

Whereas the above referenced water company (hereafter referred to as "applicant") has apparently filed a Rate Application for Water Companies with the commission for a substantial rate increase for its users (hereafter referred to as "customers").

-and-

Whereas I am a customer of said applicant.

-and-

Whereas it appears that the applicants' notification and annual ACC Utilities Reports might be subject to the following scrutiny:

- a. Notification of the applicants' application was published as a legal notice in the Chino Valley Review, a newspaper with limited distribution and limited readership among the applicants' customers, on June 18, 2008. This notification does not conform to the General Instructions on page 2 of the applicants' application which states that a completed application **requires** notification of customers of the rate request and further states that the method of customer notification and the date the notification was sent to the customers . . . implying that **all** customers should be notified not just those who subscribe or buy the Chino Valley Review. Since the applicant sends monthly statements to its customers it would seem reasonable to send the notification with the statements.
- b. On the publication date of the Chino Valley Review, none of the sites listed as having the application available for review had the document available and a telephone call to the applicants' office and the ACC to determine the docket number were unsuccessful. On Friday, June 20 a representative of the applicant stated that the application would first be available for inspection on Monday, June 22nd, a full six days after publishing the notification.
- c. The present owner of the applicant corporation purchased the water company and its assets in March of 2006 and the profitability of the company for prior years was a matter of public record and, in fact, the company reported a profit of \$ 21, 834 for calendar year 2006. The asset depreciation expense taken that year was \$ 33, 692 which was additional

revenue for the company which would be a return on investment or saved as a reserve for future asset replacement.

- d. The applicant has indicated that a substantial rate increase is needed to offset costs for an arsenic water treatment facility. Information supplied by the applicant has indicated the intent to install a treatment facility that will serve the future needs of the company for 635 customers when in fact the present number of customers is listed as 238. The anticipated cost of the larger facility is \$ 225,000. An adequate facility to serve the present number of customer is estimated to cost approximately \$175,000. The NARUC estimates the average service life of a treatment facility to be 30 years. Bonds or improvement loans of \$ 175,000 at 6% would result in a monthly interest and principal payment of \$ 1,049.21 per month for 30 years and \$ 1,348.99 for the larger \$ 225,000 amount. To satisfy the treatment facility requirement over the amortized period for the existing customers would justify a smaller increase in rates of approximately \$ 4.41 per month, not the amount requested by the applicant.
- e. Since the present owners of the company assumed its assets postal rates have increased a maximum of \$ 0.02. Since the present water rates were set by the commission, postal rates have increased a maximum of \$ 0.05. Applicant invoices customers on a monthly basis and should have very minimal additional postage expense.
- f. In the year prior to present owner purchase (2005) property taxes were listed as \$ 3499.57. In 2006, filings to the commission indicate property taxes of \$ 1,293 which indicates a payment for second half taxes was not made until 2007 when property taxes are listed \$ 4992. Applicant appears to have calculated the rate increase request on the 2007 taxes plus the remaining 2006 overdue tax.
- g. The applicant company historically appears to have been administered by an outside service until it was purchased by the present ownership which listed wages in 2006 of \$ 12,533 and a reduction in outside services of a similar amount indicating that they had probably hired an employee to handle customer invoicing and some other administrative matters. On the 2007 report, outside services showed a slight reduction probably accounting for the 12 month period of ownership under the new ownership while wages advanced significantly. This is an indication that the company which had run successfully prior to 2007 found it necessary to pay between \$ 36,000 and \$ 40,000 in additional wages. This appears to be an accounting adjustment to achieve either additional expenses to justify a rate increase or a shifting of corporate income from the higher taxed corporation to an individuals lower taxed income return, or both.
- h. Applicant's 2007 annual report reports the beginning of a rental liability in the amount of \$ 8000. It appears that this expense begins because the applicant wants to pay one or more of the owners of the corporation additional income for the reasons stated in paragraph g. Had the applicant continued with the more fiscally responsible

administration used by his predecessors this expense would not be necessary and should not be considered as a justification for a rate increase.

and,

Whereas the applicant has recently installed a six inch water line to transport water from the approved service area to adjoining property outside the service area for use in at least one enterprise located on agricultural acreage owned by at least one shareholder of the water company corporation.

Therefore,

I respectfully request the following:

- a. Applicants request for a 100% rate increase be denied.
- b. Notification of any rate increase application be required to be mailed to all users.
- c. Applicant be required to prorate costs for customers that existed prior to January 1, 2008 so that they do not include costs that may occur as a result of applicant's extension of water service to properties that extend outside of the company's original service area that existed prior to January 1, 2008.
- d. Any future requests for rate increases be for amounts that allow for a reasonable return on investment and that are commensurate with the requirements of a 238 customer system.
- e. Any hearings regarding a rate request by the applicant be held in close proximity to the water company's customer base to allow active participation of all users.

Respectfully submitted,

APPALOOSA WATER COMPANY CUSTOMER



John E. Blann, Jr.
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