

**ORIGINAL**

**NEW APPLICATION**



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ARIZONA CORPORATION COMMISSION  
DOCKET CONTROL

**EAST SLOPE WATER COMPANY**

**PO BOX 85160  
TUCSON, ARIZONA 85754  
Phone 520-623-5172  
Fax 520-792-0377**

Arizona Corporation Commission  
**DOCKETED**

JUN -2 2009

May 29, 2009

DOCKETED BY	nr
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Arizona Corporation Commission  
Utilities Division  
1200 W. Washington  
Phoenix, Arizona 85007

W-01906A-09-0283

Re: Request for Emergency Sur-Charge implementation.

This letter will serve as a request for emergency rate relief by way of implementing an emergency sur-charge for East Slope Water Company ("ESWC") located in Sierra Vista, Arizona. ESWC is owned by Bobby Watkins. Mr. Watkins no longer has the ability to fund the ailing water system and fears the water utility will become insolvent and/or run out of water.

ESWC serves approximately 800 water customers and is in desperate need of storage with no way to obtain the funds necessary to acquire storage at this time. The system is pumping approximately 2,000,000 gallon of water a week and if the one source of water goes down there is no other adequate source of water available. Hauling will be out of the question because there is no adequate storage to maintain the entire system. One of the storage tanks that is available is 40 years old and needs to be sandblasted and recoated due to corrosion. The electrical panels need to be replaced as well.

The water table in the area is dropping drastically and the pumps are in danger of sucking air.

The system demands are causing loss of pressure and we fear the worse in the heat of the summer months. One of the well needs to be deepened as it is a fairly good well but it sets in sand and the company can only use a 7 1/2 hp pump to pull the water to the surface.

The company has been unable to generate revenues sufficient to meet its operating expenses that includes property taxes.

To date the company has amassed accounts payable of approximately \$46,000.00.

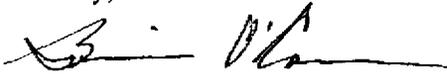
The Watkins family is unable to fund the operating shortfalls and fears the company will most definitely become insolvent. As of this date the Watkins family has advanced ESWC a total of \$53,523.00 as well as acquiring a line of credit debt of \$114,867.00.

An emergency sur-charge needs to be implemented as soon as possible to relieve the existing operating expense burden on ESWC.

We consider this an extreme emergency situation and would like to go forward with an emergency surcharge ASAP.

We are in the process of getting financial information together for this ailing system and will be preparing a rate case as well as a finance application in the very near future. Until then, it is our hope that approval of this emergency surcharge can be obtained quickly to keep this company solvent.

Sincerely,



Bonnie L. O'Connor, President  
Southwestern Utility Management, Inc.

For

Bobby Watkins, Owner  
East Slope Water Company

cc: Bobby Watkins, Owner, Chairman  
Nathan Watkins, President, CEO  
Arizona Corporation Commission – 15 copies

**EAST SLOPE WATER COMPANY, INC.**  
**CALCULATION OF 2009 PROJECTED INCOME STATEMENT**

Acct. No		Jan - Apr 2009	Monthly Average	Monthly Average Annualized	Jan - Dec 2008	2009 Projection w/ Historical Data
	<b>OPERATING REVENUES</b>					
461	Metered Water Revenue	\$ 40,011	\$ 10,003	\$ 120,033	\$ 188,569	\$ 171,435
474	Other Water Revenues	105	26	315	2,242	1,760
	<b>TOTAL OPERATING REVENUES</b>	<b>\$ 40,011</b>	<b>\$ 10,029</b>	<b>\$ 120,348</b>	<b>\$ 190,811</b>	<b>\$ 173,195</b>
	<b>OPERATING EXPENSES</b>					
601	Salaries and Wages	\$ -	\$ -	\$ -	\$ 56,250	\$ -
610	Purchased Water	-	-	-	-	-
615	Purchased Power	19,402	4,851	58,206	51,995	58,206
618	Chemicals	600	150	1,800	-	1,800
620	Repairs and Maintenance	2,316	579	6,948	6,253	6,601
621	Office Supplies & Expense	2,174	544	6,522	11,442	8,982
630	Outside Services	28,922	7,231	86,766	16,938	86,766
635	Water Testing	-	-	-	2,369	2,369
641	Rents	-	-	-	1,800	-
650	Transportation Expenses	3,079	770	9,237	12,259	10,748
657	Insurance - General Liability	4,989	1,247	14,967	5,754	5,754
659	Insurance - Health and Life	-	-	-	-	-
666	Regulatory Commsn Exp-Rate Case	-	-	-	-	-
675	Miscellaneous Expense	-	-	-	1,104	1,104
403	Depreciation Expense	-	-	-	14,664	14,664
408	Taxes Other Than Income	-	-	-	4,584	-
408.11	Property Taxes	10,908	-	10,908	6,774	10,908
409	Income Tax	-	-	-	-	-
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 72,390</b>	<b>\$ 15,371</b>	<b>\$ 195,354</b>	<b>\$ 192,186</b>	<b>\$ 207,902</b>
	<b>OPERATING INCOME/(LOSS)</b>	<b>(32,379)</b>	<b>(5,342)</b>	<b>(75,006)</b>	<b>(1,375)</b>	<b>(34,706)</b>
	<b>OTHER INCOME/(EXPENSE)</b>					
419	Interest and Dividend Income	-	-	-	-	-
421	Non-Utility Income	-	-	-	5,600	-
426	Miscellaneous Non-Utility Exp	-	-	-	-	-
427	Interest Expense	514	-	-	10,042	10,042
	<b>TOTAL OTHER INCOME/(EXPENSE)</b>	<b>(514)</b>	<b>-</b>	<b>-</b>	<b>(4,442)</b>	<b>(10,042)</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ (32,893)</b>	<b>\$ (5,342)</b>	<b>\$ (75,006)</b>	<b>\$ (5,817)</b>	<b>\$ (44,748)</b>

**EAST SLOPE WATER COMPANY, INC.**  
**CALCULATION OF MONTHLY SURCHARGE AMOUNT PER CONNECTION**

	2009 Projection	Monthly Totals	Monthly Per Connection
<b>Calculation of Surcharge:</b>			
Total Operating Revenues	\$ 173,195		
Total Operating Expenses	207,902		
Operating Income/(Loss)	\$ (34,706)		
Total Other Income/(Expense)	(10,042)		
2009 Projected Net Income/(Loss)	\$ (44,748)		
Months in year	12		
Projected Monthly Operating Loss		\$ (3,729)	
Delinquent Accounts Payable	\$ (51,977)		
Months to bring current	12		
Monthly cash flow needed		(4,331)	
Wells Fargo Credit Line	\$ (113,868)		
Months to bring current	30		
Monthly cash flow needed		(3,796)	
Note Payable - N Watkins	\$ (50,545)		
Months to bring current	12		
Monthly cash flow needed		(4,212)	
<b>Total Monthly Loss/Cash Shortage</b>		<b>\$ (16,068)</b>	
Current Customer Connections		822	
<b>Proposed Surcharge Amount</b>		<b>\$ 19.55</b>	
<b>Current Rates:</b>			
Monthly Minimum (5/8" x 3/4" & 3/4")		\$ 9.00	
Commodity Rate	\$ 1.71		
Gallons (2,000 included in monthly minimum)	6,000		
Amount based on usage		10.26	
<b>Monthly Bill at Current Rates Based on 8,000 gallons of usage</b>		<b>19.26</b>	
<b>Monthly bill based on 8,000 gallons of Usage plus Proposed Surcharge Amount</b>		<b>\$ 38.81</b>	