

ORIGINAL

INDIADA WATER COMPANY, INC.
PO Box 85160
Tucson, AZ 85754
520-623-5172
Fax 520-792-0377



0000101638

August 12, 2009

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

Arizona Corporation Commission
DOCKETED
AUG 12 2009

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ARIZONA CORPORATION
COMMISSION
DOCKET CONTROL

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RECEIVED

Re: Docket No. W-02031A-09-0285

This correspondence will serve to document the response of Indiada Water Company, Inc., ("IWC" or "Company") to the Arizona Corporation Commission ("ACC") Staff report filed on July 24, 2009, regarding ACC Docket #**W-02031A-09-0285**.

Please be advised that it is the unequivocal opinion of IWC that an emergency surcharge which only authorizes an additional \$7.83 base surcharge per customer, per month, is not sufficient. In order to maintain the system until a permanent rate case using a December 31, 2009, test year end can be filed, processed, and take effect, which will likely be about one and one half years, \$7.83 will not cover the costs to maintain operations.

IWC acknowledges a rate case could have been filed at an earlier time, however, keeping the system operational, and water to the customers has been the main priority. As Staff and the ACC know, rate cases most times are costly, lengthy, and time consuming. The Company felt its resources were better utilized maintaining the water flow to its customers, as it did with other common owned companies, East Slope Water Company and Antelope Run Water Company.

The Company realizes the original request of an increase of \$38.30 per customer, per month, is substantial; however, the customers of IWC have had the benefit of paying extremely low rates in comparison to other water utilities for almost 24 years. After reviewing the Staff report, the Company has revised its requested surcharge amount, as well as the rate design necessary to generate the emergency surcharge revenue.

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IWC serves approximately 56 water customers and is in desperate need of storage. The system has 3 very shallow wells, which range in depth from 60 feet to 120 feet. One of these wells is isolated to serve seven homes, and has the well depth of just 60 feet. No additional connections can be added to this well, as it will be in danger of running out of water. This well also has inadequate storage that is old and outdated, as well as possibly unsafe due to constant Bac-T problems. Currently, this well and 7 customers have a combined storage capacity of 7,100 gallons. This amount represents less than six hours of storage for typical demand during the summer, which is 12,800 gallons per day.

The balance of the system has extremely low pressure and low volume, especially in the summer months. The situation deteriorates further each year, and all of the wells could go dry very soon as a result of the declining water table in the area. IWC is experiencing problems similar to those of East Slope Water Company and Antelope Run Water Company in the same geographic area. IWC intends to file a financing application when the rate case is filed, which will address the many deficiencies described above.

The Company submits as Attachment 1, Revised Calculation of Monthly Surcharges schedule as an alternative to its original request, and Staff's recommendation in its Staff Report. Staff's recommended surcharge amount included a monthly average of \$26 for repairs and maintenance, based on the actual cost for January through April of 2009, or \$104.

Due to the frequency of repairs needed, the monthly average of \$26 is significantly low, and misrepresents the current level of expenditures that need to be made by the Company. When a pump cannot be repaired, it is replaced, as one was in January of 2009 per the attached invoice. See Attachment 2. This occurred in 2008 and previous years as well, resulting in capitalization of many of these expenditures. Due to the short life of the asset, this leads to non-recovery either through repairs expense or depreciation expense, and these amounts currently comprise some of the accounts payable balance.

In addition, based on customer feedback, IWC proposes implementing an emergency surcharge that includes both a monthly base fee, as well as a commodity rate per 1,000 gallons. This rate design will more appropriately distribute the impact of the emergency surcharge to the water users putting the most demand on the system. As a result, the Company proposes a base emergency surcharge amount of \$8.00 per connection per month, and \$1.27 per thousand gallons commodity surcharge on all gallons sold.

Finally, Staff recommends the Company be required to post a bond or irrevocable sight draft letter of credit in the amount of \$5,000 to ensure there is money available to refund ratepayers if the ACC determines in a later proceeding the emergency surcharge was too large. IWC asserts it

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will be impossible to comply with this recommendation given the current financial state of the company. In the event the ACC decides at a later date that the surcharge was too large, refunds could be implemented via customer billing credits until the excess surcharge amounts are repaid.

Regards;



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

For
Bobby Watkins, Owner
Indiada Water Co.

cc: Bobby Watkins, Owner
Nathan Watkins, President

ATTACHMENT 1

INDIADA WATER COMPANY, INC.
DOCKET NO. W-02031A-09-0285
REVISED CALCULATION OF MONTHLY SURCHARGES

| | Amounts | Monthly Average | Surcharge Per Conn | Monthly Revenue |
|---|---------|--------------------|-----------------------|--------------------|
| Staff Proposed Amounts | | | \$ 7.83 | \$ 438.48 |
| January - April 2009 Actual Repairs and Maintenance | \$ 104 | | | |
| Staff Monthly Average for Repairs & Maintenance | | \$ 26 | | |
| January 2009 pump replacement per attached invoice | 2,164 | | | |
| Monthly Average | | 541 | | |
| Revised Monthly Average for Repairs & Maintenance | | \$ 567 | | |
| Number of Connections | | 56 | | |
| Additional Surcharge for Repairs & Maintenance | | | 10.13 | 567.08 |
| Company Monthly Revised Totals | | | \$ 17.96 | \$ 1,005.56 |

Company Proposed Change to Surcharge Rate Design:

| | | | | |
|--|-------|--|------|-----------|
| Revised Base Surcharge Per Connection | | | 8.00 | 448.00 |
| Revenue to be Generated by Commodity Rate | | | | \$ 557.56 |
| Total Gallons Sold in 2008 (Thousands) | 5,267 | | | |
| Average Gallons Sold Per Month (Thousands) | 439 | | | 439 |
| Commodity Revenue Needed Per 1,000 Gallons | | | | \$ 1.27 |

Revenue check:

| | | | | |
|--|--|-------|---------|-----------|
| Number of Connections | | 56 | | |
| Monthly Base Surcharge Per Connection | | | \$ 8.00 | |
| Monthly Revenue from Base Surcharge | | | | \$ 448.00 |
| Average Gallons Per Customer Per Month | | 7,838 | | |
| Commodity Surcharge Per 1,000 Gallons | | | \$ 1.27 | |
| Monthly Revenue from Commodity Surcharge | | | | 557.56 |

Company Revised Monthly Surcharge Revenue Generated by Alternate Rate Design

\$ 1,005.56

Customer Current Rates and Proposed Surcharge Impact:

| | | | | |
|--|---------|----------|---------|-----------------|
| Monthly Minimum (5/8" x 3/4") | | \$ 15.00 | | |
| Commodity Rate | \$ 3.50 | | | |
| Average Monthly Gallons (1,000 included) | 6,838 | | | |
| Amount Based on Usage | | 23.93 | | |
| Monthly Bill at Current Rates Based on 7,838 Gallons of Average Usage | | | | \$ 38.93 |
| Proposed Monthly Base Surcharge | | | \$ 8.00 | |
| Proposed Monthly Commodity Surcharge | | | 8.69 | |
| Monthly Bill Based on 7,838 Gallons of Average Usage Plus Proposed Surcharge Amount | | | | \$ 55.62 |

ATTACHMENT 2

Foster Pump Sales, Inc.

PO Box 271

Sonoita, AZ 85637-0271

Invoice

| Date | Invoice # |
|-----------|-----------|
| 1/28/2009 | 2173 |

| |
|--|
| Bill To |
| Southwestern Utility Mgmt. Steve Siegfried P.O. Box 85160 Tucson, Az. 85754 |

311

| Terms | Due Date |
|--------|-----------|
| Net 30 | 2/27/2009 |

| Description | Quantity | Rate | Amount |
|---|----------|----------|-----------|
| INDIADA WATER CO. Well # 3 Ramsy Canyon Road 1-23-09 Pulled pump on Calle Encena. Pump needs replaced. Ordered pump. Labor and Travel | 2.5 | 95.00 | 237.50 |
| 16S15-14 Pump(0849) Motor(0842) & Controls | | 1,249.00 | 1,249.00T |
| 1 1/2 HP-5 Year Warranty on Pump and Motor | | 45.00 | 45.00T |
| 12/4 Wire | 110 | 1.58 | 173.80T |
| Bleeder Valve | | 4.20 | 4.20T |
| Misc. Fittings, Conduit, wire, Etc. | | 23.60 | 23.60T |
| 1-27-09 Installed pump, motor. Put in bleeder valve. Installed control box and conduit. Labor and Travel Static 36' Set @ 104' Depth 115' | 3.5 | 95.00 | 332.50 |

| | | |
|------------------------------|-------------------------|-------------------|
| Thank you for your business. | Sales Tax (6.6%) | \$98.71 |
| | Payments/Credits | \$0.00 |
| | Balance Due | \$2,164.31 |

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|--------------|
| Phone # |
| 520-455-5362 |

1/28/09 10:33