

ORIGINAL

Katherine Nutt



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From: Cristina Arzaga-Williams on behalf of Kennedy-Web
Sent: Thursday, February 04, 2010 3:22 PM
To: Katherine Nutt
Subject: FW: Johnson Utilities -- with attachment
Attachments: Scan Kennedy.pdf

docket.

From: Steve Gutkowski [mailto:steve_gutkowski@yahoo.com]
Sent: Wednesday, February 03, 2010 11:42 AM
To: Kennedy-Web
Subject: Johnson Utilities -- with attachment

Dear Commissioner Kennedy:

I'd like to share with you some thoughts on Johnson Utilities as you deliberate their rate application. The attached covers my customer service experience and an original will be sent by US mail.

Regards, Steve Gutkowski

Arizona Corporation Commission
DOCKETED
FEB - 5 2010

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AZ CORP COMMISSION
DOCKET CONTROL

February 3, 2010

Commissioner Sandra D. Kennedy
Arizona Corporation Commission
Commissioners Wing
1200 West Washington Street
Phoenix, Arizona 85007-2997

Dear Commissioner Kennedy:

I'm writing to you about my experience with Johnson Utilities in the hopes that it will provide some insight into my customer experience and impact on your upcoming decision in their rate application.

I've been a customer of theirs for a year now and in that time have had sufficient contact with them to know that there is a considerable imbalance between my role as a customer and theirs as a monopoly provider of water and sewer service. The fact that the company continues to operate, some 13 years later, under the original Commission decision, has apparently emboldened these folks to treat their customers with disrespect and disdain. I'm hopeful that the ACC will change its approach to regulatory forbearance and influence a change in the company's operational processes and attitude for the better.

My most recent contact with them came this past Saturday and Sunday when two service outages occurred. The folks who staff their emergency service center were completely uninterested and unresponsive to my request for follow-up information on how long the outage might be expected to continue on Sunday morning. The call was terminated when the service rep actually hung up on me.

This does not seem to be out of character for the organization. Contacting them to conduct even the most ordinary of transactions requires the patience of Job. Numerous telephone calls are required since busy signals, automated telephone loops, and involuntary terminations are the order of the day. Hold times, once within the system, are interminable.

I have a couple of points that I'd like you to consider:

1. Institute a commitment to customer service by requiring the company to adhere to a set of established customer service standards. One of these should be a maximum call answering standard. Another might be the requirement of each employee to identify themselves by either actual last name or employee identification number in order to foster a sense of responsibility for their actions or lack thereof.

2. Revisit the company's rate structure. At present there seems to be a \$60 to \$70 dollar minimum monthly charge before usage fees are incurred. While the company may have made the argument that that structure was necessary to provide the company with sufficient revenues in its early years, customer growth has been substantial since the original rate decision and a change may be in order.
3. Review the company's reported expense and asset allocations between the water and sewer businesses. A cursory review of the company's 2008 filing indicates a 30+% return on the water business and a single digit return on sewer. Since we already pay more for sewer than water I can only assume that the sewer business is either being over-burdened by mis-allocated expenses or capital investment. In any event the company's rate application indicates a desire to lower water rates and raise sewer rates, which if the Commission acts upon without an in-depth review will only exacerbate an already unfortunate circumstance.
4. I noticed that the company operates with a capital structure that includes a 97% equity component. I don't think I need to point out how odd a structure that happens to be in terms of utility finance nor do I need to review all the cost of capital arguments as far as efficiency or cost is concerned so let me just encourage the Commission set aside the company's actual and to consider the use of a theoretical capital structure in its deliberations. As I'm sure you are aware, the ACC's regulatory forbearance, in terms of the allowed return on equity since the original decision, has allowed the company to benefit substantially, and the use of a much reduced equity component will allow for a more balanced rate setting to occur.

Thank you for your consideration. While I don't think any of these items is ground breaking, as they have been used by the Commission in prior rate case or are in use in other regulatory jurisdictions, I do think they meet the test of responsibility the ACC has to the company, as a monopoly, and to its customer base.

With best regards,



Stephen J. Gutkowski
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Florence, Arizona 85132