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BEFORE THE ARIZONA CORPORATION COMMISSION
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AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE
APPLICATION OF F. WAYNE &
DOROTHY THOMPSON DBA WEST
VILLAGE WATER CO., FOR A RATE
INCREASE

Docket No. W-03211A-08-0621
Docket No. W-03211A-08-0622

RESPONSE TO AMENDED
STAFF REPORT

F. Wayne & Dorothy Thompson dba West Village Water Company ("West Village" or "Company"), hereby responds to the Amended Staff Report for F. Wayne & Dorothy Thompson dba West Village Water Company's Applications for a Permanent Rate Increase and Financing Approval ("Amended Report").

The Company generally agrees with Staff's proposal to finance the necessary improvements and the timelines set forth in the Amended Report. The remaining significant point of disagreement concerns Staff's Adjustment 1 disallowing the Company's water purchase expense of \$18,765 during the test year. For the reasons provided below, the Company still asserts that this adjustment is improper here.

Arizona Corporation Commission

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1 **1.0 Disallowing 58.76% of Test Year Expenses is Unreasonable.**

2 Thirteen years after the last rate increase, Staff is recommending an increase of
3
4 less than 3% for the typical residential customer to address the Company's operational
5 costs. Put another way, the Company would receive \$1.14 more from each customer
6 each month. Thus, after thirteen years, the Company would receive a \$725 increase in
7 revenues to operate the system.
8

9 Staff gets to this result by removing from its calculations the \$18,765 the
10 Company actually spent during a pump failure outage during the Test Year. Staff
11 categorizes this actual Company cost to address the pump failure as a "non-recurring
12 expense", and then presumes that such a major repair will not happen again.
13

14 The Company has already demonstrated, however, that it has routinely incurred
15 similar purchase water and repair costs. In fact, from 2004 to 2008, the Company spent
16 on average \$16,071 for such costs. See Response to Staff Report, Attachment 1,
17 Schedule SSR-3 (Dec. 15, 2009). If these real costs and real expenses are effectively
18 ignored, and it is presumed that no costly repairs will ever be necessary, then the
19 Company likely will financially fail.
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22 To put it in perspective, suppose a line break or pump failure occurs costing the
23 Company \$16,000. With the additional operational revenue of \$725 as proposed by
24 Staff, it will take the Company 22 years to generate the revenue necessary to pay that
25 outage (assuming no interest is charged). Moreover, even if the entire system was being
26 replaced, which is not the case, nobody can assume that a costly outage will not occur.
27
28

1 The fact remains that this is a small, one-well system with no redundant supply, and
2 outages occur in all systems, new and old alike.

3
4 Therefore, the Company believes that the Test Year outage expense of \$18,765 is
5 representative of real costs reasonably incurred by the Company and should be
6 normalized and considered when calculating rate base. Alternatively, the \$16,071
7 average of real outage costs incurred from 2004 to 2008 should be normalized and
8 considered when calculating rate base. *See* Response to Staff Report, Attachment 1,
9 Schedule SSR-3 (Dec. 15, 2009).

10
11 RESPECTFULLY SUBMITTED this 12th day of March, 2010.

12
13 **Moyes Sellers & Sims**

14 

15 Steve Wene

16 Attorneys for West Village Water Company

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18 Original and 15 copies of the foregoing
19 filed this 12th day of March, 2010 with:

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25 12th day of March, 2010 to:

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