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Desert Mountain Analytical Services PLLC

2011 AUG 25 A 10:42

AZ CORP COMMISSION
DOCKET CONTROL

August 24, 2011

ORIGINAL

Docket Control
Arizona Corporation Commission
1200 West Washington
Phoenix, AZ 85007

Arizona Corporation Commission
DOCKETED

AUG 25 2011

RE: Mirabell Water Company, Inc.
Docket No. W-02368A-11-0185

DOCKETED BY 

Enclosed please find Mirabell Water Company, Inc.'s response to the Staff Report dated August 11, 2011, and the associated attachments.

If you have any questions, please don't hesitate to contact me at the phone number or email address listed below.

Sincerely,



Sonn S Rowell
Certified Public Accountant

enc

Cc: Mort Freedman via email
Southwestern Utility Management, Inc. via email

Company Response to Staff Report dated August 16, 2011

Mirabell Water Company, Inc. ("Mirabell") has been a small, financially troubled water company for many years now, despite rate cases in 2000, 2005, and an emergency case in 2010. The fact that this company only has 57 customers compounds that troubled status, as the cost of any system problems must be spread among a very small population.

Small water companies share some of the same costs as the larger water companies in Arizona. Mechanical breakdowns do not distinguish between utilities with \$30,000 of revenue, or \$3,000,000. If a pump breaks down and it costs \$10,000 to remedy – like what happened to Mirabell last year – the only difference between the two costs is that it will take 33.33% of Mirabell's annual revenue to pay for it, while the cost only represents .3333% of the larger utilities annual revenue. This is essentially a rounding error to the larger companies, or the equivalent of the pump costing Mirabell \$100.

Mirabell is very pleased with the recommended revenue proposed by Staff on Schedule BCA-1 of \$55,384. The Company does not agree with some of the adjustments made by Staff to operating expenses, but believes it will be able to meet ongoing operating expenses, once new rates are effective. Mirabell does however, have concerns about the pricing of the commodity tiers, specifically the highest tier. At \$7.90 per thousand gallons, the Company is concerned that any level of conservation would severely impact revenues due to the small customer base. The Company believes the rates it proposed better balance the goals of revenue stability and water conservation, and urges the Commission to adopt them.

Southwestern Utility Management, Inc. ("SUM") began its association with Mirabell in mid-March 2011. At that time, the system was in very poor condition, many reporting items had been out of compliance, and not all of Mirabell's bills were being paid. The prior management that had been hired to operate Mirabell did not perform on several levels, and when faced with replacement by SUM on April 1, 2011, left an outage in SUM's hands, even though they were not under contract with Mirabell at the time.

In its normal fashion, SUM took care of the system problems so the customers would have water and billed Mirabell since they were not under contract. SUM then entered that management contract, even though the current rates would not support payment, or the work that immediately needed to be done to the system to make it safe. The only condition SUM had entering into the contract with Mirabell was that the electrical panel have work done on it as field personnel deemed it unsafe in the condition it was found. That work was completed in late March, and there is more work recommended to be done on it at some point. Again, SUM paid that valuable contractor and continued to wait for its own payment.

Per the attached accounts payable aging, as of August 24, 2011, Mirabell has \$16,547 in outstanding accounts payable. The Company will be able to begin to reduce that amount once new rates are effective. But the Company will not be able to pay off the entire accounts payable balance within a reasonable amount of time. Therefore, SUM will continue to have to finance Mirabell's operations, which is harmful to SUM itself.

In its Report, Staff recommends that management fees for SUM be included in proposed rates at \$1,200 per month, and an amount for mileage. At just over \$14,000 per year, SUM's cost for professional full service management is less than the cost of a part time employee and the associated expenses (payroll taxes, etc.).

Mirabell is seeking to recover, via a surcharge, the amount due for the five attached invoices from SUM for work on the system outage prior to commencement of the contract with Mirabell, and management fees for April, May, June and July of 2011. Although the proposed rates will provide for SUM's fees on an ongoing basis, there will not be enough revenue to bring SUM current, as well as the other items in accounts payable. In addition, by the time rates are effective, there will be management fees for August, September, and probably October 2011 that are not included in the current rates, and are not being requested as part of this surcharge. The table below details the calculation of the surcharge:

Date	Num	Name	Invoice Amount
11-Apr-11	4250	Southwestern Utility Management	\$ 3,864.64
20-May-11	4281	Southwestern Utility Management	1,387.50
09-Jun-11	4330	Southwestern Utility Management	1,250.00
08-Jul-11	4362	Southwestern Utility Management	1,377.50
08-Aug-11	4405	Southwestern Utility Management	1,275.00
Total not recoverable in current or proposed rates			\$ 9,154.64
Number of Customers			57
Amount per Customer			\$160.61
Recovery Period in Months			16
Monthly Amount			\$10.04
Proposed 16-Month Temporary Surcharge			\$10.00

Based on the facts in the record, Mirabell requests the ACC adopt the rates as proposed in its application for this case, instead of Staff's recommended rates, as well as the above temporary surcharge.

Mirabell Water Company, Inc.
A/P Aging Detail
As of August 24, 2011

Type	Date	Num	Name	Due Date	Aging	Open Balance
Current						
Bill	08/13/2011	11G0672	Turner Laboratories	09/12/2011		\$ 165.00
Total Current						\$ 165.00
1 - 30						
Bill	08/01/2011		Desert Mountain Analytical Services, PLLC	08/01/2011	23	\$ 500.00
Bill	08/08/2011	4405	Southwestern Utility Management	08/18/2011	6	1,275.00
Total 1 - 30						\$ 1,775.00
31 - 60						
Bill	07/01/2011		Desert Mountain Analytical Services, PLLC	07/01/2011	54	\$ 500.00
Bill	07/08/2011	4362	Southwestern Utility Management	07/18/2011	37	1,377.50
Total 31 - 60						\$ 1,877.50
61 - 90						
Bill	05/20/2011	4281	Southwestern Utility Management	05/30/2011	86	\$ 1,387.50
Bill	06/01/2011		Desert Mountain Analytical Services, PLLC	06/01/2011	84	500.00
General Journal	05/04/2011	2	Mort Freedman	06/03/2011	82	686.94
Bill	06/09/2011	4330	Southwestern Utility Management	06/19/2011	66	1,250.00
Total 61 - 90						\$ 3,824.44
> 90						
Deposit	03/12/2010		Mort Freedman	04/11/2010	500	\$ 1,311.22
Deposit	04/07/2010		Mort Freedman	05/07/2010	474	2,500.00
Bill	12/31/2010		Pima County - Property Tax	12/31/2010	236	3,031.73
Bill	01/03/2011	Permit #10178	Pima County Dep. of Environmental Quality	01/03/2011	233	530.00
Bill	03/24/2011	2010 Taxes	H & R Block Tax & Business Services	04/03/2011	143	909.00
Bill	05/01/2011		Desert Mountain Analytical Services, PLLC	05/01/2011	115	500.00
Bill	04/30/2011	Inv #282	Desert Mountain Analytical Services, PLLC	05/10/2011	106	123.58
Total > 90						\$ 8,905.53
TOTAL						\$ 16,547.47

Southwestern Utility Management, Inc.
P.O. Box 85160
Tucson, Arizona 85754

Invoice

Date	Invoice #
4/11/2011	4250

Bill To
Mirabell Water Company 3361 Caminito Luna Nueva Del Mar, CA 92014

POSTED

Telephone # 520-623-5172
Fax #520-792-0377

Terms
Net 30 Days

Due Date
5/11/2011

Item	Description	Qty	Rate	Amount
630 - Office Extra Work Request	March Office Work	26	65.00	1,690.00
Field Tech	3/13-Repairs	3	45.00	135.00
Field Tech	3/17 Field Tech	2.5	45.00	112.50
Field Tech After Hour O/T	After Hours Over Time	4	45.00	180.00
	3/26-Blown fuse on power pole			
Field Tech	3/28 Field Tech	3.5	45.00	157.50
Field Tech	3/29 Field Techs	13.5	45.00	607.50
Field Tech	3/30 Field Techs	13.5	45.00	607.50
Field Supervisor	Field Supervisor - 3/29	4	55.00	220.00
6502 Client Billing-Mileage	Client Billing-Mileage	260	0.50	130.00
6213 Client Billing-Postage	Client Billing-March Postage		24.64	24.64

Total \$3,864.64

Southwestern Utility Management, Inc.
P.O. Box 85160
Tucson, Arizona 85754

Invoice

Date	Invoice #
5/10/2011	4281

Bill To
Mirabell Water Company 3361 Caminito Luna Nueva Del Mar, CA 92014

Telephone # 520-623-5172
Fax #520-792-0377

Terms
Net 30 Days

Due Date
6/9/2011

Item	Description	Qty	Rate	Amount
Lump Sum 6502 Client Billing-Mileage	April Services Client Billing-Mileage	375	1,200.00 0.50	1,200.00 187.50
			Total	\$1,387.50

POSTED
PAID

Southwestern Utility Management, Inc.
 P.O. Box 85160
 Tucson, Arizona 85754

Invoice

Date	Invoice #
6/9/2011	4330

Bill To
Mirabell Water Company 3361 Caminito Luna Nueva Del Mar, CA 92014

Telephone # 520-623-5172
 Fax #520-792-0377

Terms
Net 30 Days

Due Date
7/9/2011

Item	Description	Qty	Rate	Amount
Lump Sum	May Services		1,200.00	1,200.00
6502 Client Billing-Mileage	Client Billing-Mileage	100	0.50	50.00
<p><i>Southwestern Utility</i></p> <p>6502 \$50.00</p> <p>6251 \$1,200.00</p>				
			Total	\$1,250.00

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Southwestern Utility Management, Inc.
 P.O. Box 85160
 Tucson, Arizona 85754

Invoice

Date	Invoice #
7/8/2011	4362

Bill To
Mirabell Water Company 3361 Caminito Luna Nueva Del Mar, CA 92014

Telephone # 520-623-5172
 Fax #520-792-0377

Terms
Net 30 Days

Due Date
8/7/2011

Item	Description	Qty	Rate	Amount
Lump Sum	June Services		1,200.00	1,200.00
Field Tech After Hour O/T	After Hours Over Time	2	45.00	90.00
6502 Client Billing-Mileage	6/26-low psi 14240 Stanford Client Billing-Mileage	175	0.50	87.50
Southwestern Utility 7/2011 6251 \$1200.00 6251 \$ 90.00 6502 \$ 87.50				
			Total	\$1,377.50

Southwestern Utility Management, Inc.
 P.O. Box 85160
 Tucson, Arizona 85754

Invoice

Date	Invoice #
8/8/2011	4405

Bill To
Mirabell Water Company 3361 Caminito Luna Nueva Del Mar, CA 92014

Telephone # 520-623-5172
 Fax #520-792-0377

Terms
Net 30 Days

Due Date
9/7/2011

Item	Description	Qty	Rate	Amount
Lump Sum	July Services		1,200.00	1,200.00
6502 Client Billing-Mileage	Client Billing-Mileage	150	0.50	75.00

Sum 8/2011
~~6251~~ \$1200-
 6502 \$75-

			Total	\$1,275.00
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