

NEW APPLICATION

ORIGINAL



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AZ CORP COMMISSION  
DOCKET CONTROL

Picacho Water Improvement Corporation  
6240 East Monitor St.  
PO Box 10  
Picacho, AZ 85141

DATE: *March 5, 2012*

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

W-01774A-12-0089

Dear Sirs,

Enclosed are 13 copies of our Emergency Rate Increase Application along with relevant attachments. Please inform us if there is additional information needed. We appreciate your urgent processing of our request and will provide whatever is needed to facilitate your consideration.

Sincerely,

Hank Holmes  
President  
Picacho Water Improvement Corporation

Arizona Corporation Commission  
DOCKETED

MAR - 8 2012

DOCKETED BY *nr*

**Picacho Water Improvement Corporation**  
**EMERGENCY RATE CASE**

General conditions necessary for application of interim, emergency rates:

- 1) Situation of sudden change which brings hardship to a Company.

The sudden loss of 53 water users from 127 (42%) due to ADOT's acquisitions causes an immediate reduction of revenue from approximately \$ 6666 per month to \$3866 per month. This loss of users is permanent with no possibility of new settlement in Picacho in the foreseeable future. The situation occurred due to ADOT realignment of I-10 through the Village of Picacho. Mitigation was expected and promised for three years, however, PWIC is now told that no compensation will be paid by ADOT.

All attempts to appeal, arbitrate, and reverse this position have failed to date. We have involved the ACC in our dilemma. In addition to loss of ratepayers, PWIC has accumulated \$50,000 in debt directly related to the impact of ADOT's project over the last 4 years. Our Capital Improvement Plan (To be coupled with rate increase application) has been delayed 3 years due first to uncertainty about the new alignment of I-10 and now to loss of ratepayers to spread the cost of improvements. The CIP was begun in 2006 and could not be completed until May 2009 because of the uncertainty of how to address three different I-10 placement scenarios. We have accumulated engineering, legal, matching fund contributions and endless communications and meetings to present our legitimate claims. Extra demands are placed on the Water Company daily due to ADOT demolition and construction activity. Response to two mainline breaks (caused by ADOT) alone cost over \$6000. ADOT has refused to create a memorandum of understanding or formal mechanism for mitigating its impact. We are endlessly blue staking, identifying pipes, removing meters, fixing pipes, etc.

- 2) Situation where Company is insolvent.

PWIC is insolvent due to the above. Any major equipment breakdown will precipitate a financial crisis.

- 3) Situation where ability of Company to maintain service (pending a formal rate determination) is in serious doubt.

Without some kind of breakthrough with ADOT and/or the FHWA (Appears doubtful at this time), operating revenue will be exhausted within 1 month. Any equipment failure (Pump failure for example) cannot be paid for. PWIC has continuous demands by ADOT for services due to its demolition activity in our franchise.

In support of the above, the inability of the Commission to grant permanent rate relief within a reasonable time would be grounds for granting interim relief. This would require that the Company demonstrate that

the period needed to grant permanent relief would not be reasonable, given the emergency condition present.

Our financial needs are immediate or we may be forced to curtail services in an emergency fashion leaving residents without water. The ACC has had no influence over ADOT's position.

Further, there is certain information that, at a minimum, would be required to be submitted in an application for emergency rate relief:

- a) A narrative cover sheet(s) devoted to the explanation of the emergency condition present in the company.

Please see attached Narrative.

- b) A requested amount of dollars to be recovered in the emergency rate.

An additional \$83,308 / year in revenue is required to remain in business.

1. Lost Revenue from operations (Fixed Costs)	\$24,000*
2. Emergency Fund	\$15,000
3. Temporary Patch Failing 200,000 Storage Tank	\$20,000
4. Engineering (Response to ADOT)	\$10,000*
5. Increased Operations responding to I-10 construction	\$15,000*
6. Service on \$25,000 loan	<u>\$ 4,308*</u>
	\$88,308/ year

\* Indicates direct impact of ADOT realignment. However, the \$50,000 debt accumulated that would have been available to PWIC is also a direct ADOT impact. These are conservative figures. This level of impact will continue during ADOT construction and then fall to a long-term level caused by loss of revenue base. A permanent rate increase is needed, but is difficult to predict the long-term needs of the Company until the dust settles. Capital improvements are needed. We are still hoping for some avenue of mitigation from ADOT.

- c) An emergency rate charge to apply to customers.

We request that the ACC assist us in determining how new rates should be structured.

- d) A method or mechanism to recover the requested amount of dollars.

We have found no such mechanism despite diligent search for redress from ADOT, the FHWA, ACC, and political appeals to the Governor's Office, The Pinal County Board of Supervisors, and others. We continue our efforts.

- e) A detailed breakdown of the system repairs, if any, necessary to alleviate the emergency condition. To include information such as size, quantity, capacity and condition of all repair areas, and a listing for the cost of labor per repair item.

N/A

- f) A copy of an estimate of the cost of repairs.

N/A

- g) Original and 13 copies of all of the information.

Included.

- h) Delivery of the original and 13 copies to:

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

Included

Sincerely,

Hank Holmes  
President PWIC