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Arizona Corporation Commission
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Before the
Arizona Corporation Commission
In the Rate case of
Far West Water & Sewer
Docket # WS-03478A-12-0307
Joint Surrebuttal of Rate Design
of
Robert Rist
Robert Gilkey
Barbara Gilkey

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1

1 **INTRODUCTION**

2
3 **Q. Are you the same Robert Gilkey and Barbara Gilkey and Robert Rist that filed the previous**
4 **rate design in this rate case?**

5
6 A. Yes.

7
8 **Q. Are Robert Gilkey and Barbara Gilkey and Robert Rist all in agreement with the answers to**
9 **the following questions?**

10
11 A. Yes

12 **CONDITIONS OF RATE INCREASE**

13
14 **Q. In your rate design, do you propose any conditions be made mandatory?**

15 A. Yes. We recommend acceptance of all the items listed in Staff's Direct Testimony, pages 26
16 through 28, however contrary to Staff, we feel it is absolutely necessary to appoint an Interim
17 Manager and to do a forensic audit and an operational audit.

18 **RESIDENTIAL**

19 **Q. Do you agree with Ray Jones' statement that all parties are in agreement with residential**
20 **rate design?**

21 A. No. We feel that the rate proposed by Far West, Staff, and RUCO are all out of line. We don't
22 have confidence in the numbers reported and believe they will not be resolved until a forensic audit is
23 done. There are many inconsistencies in accounting, co-mingling of funds between Company and
24 affiliates, and poor management. Awarding an increase at this time would be rewarding poor
25 management.

1 As an example, we don't agree that the Company didn't understand that the Schechert Family Aquatics
2 & Fitness RV Park was not a "traditional" RV park because of the zoning. This was just a convenient
3 way to explain away not charging sewer fees for the RV spaces in this business. Proof that
4 management knew it was an RV park is the company's own literature that is available describing it as
5 such (see Attachment 1).

6 Another example is the way in which the repayment of the Main Line Extension agreements has been
7 handled. Affiliates are being paid while other developers are not being paid.

8 Far West didn't negotiate in good faith with Yuma Ventures who was willing to pay a capacity fee of
9 \$395,000.00, plus providing all infrastructure to be connected with the sewer system. Yuma Ventures
10 was also told that the monthly fee would be \$21.75 per RV space, which is 100% of the current
11 residential rate. This is in direct conflict with what the other parks are currently paying and what the
12 Company is proposing in this rate case which is 33.33% of the residential rate.

13 **COMMERCIAL**

14 **Q. Do you agree with the proposed rates for commercial accounts?**

15 **A. No. We like the idea of billing simplicity in a commercial rate structure. It is not equitable,**
16 **however, that a stand alone business with a 2" water meter pays the same rate as a 20 business**
17 **strip mall with a 2" water meter. As an example, the commercial strip mall located at 12871 S.**
18 **Frontage Rd., has a 2" water meter and is now generating \$43.50 per month for all 20 units.**
19 **Under the proposed rates, the charge would go to \$346.62 per month based on the meter size.**
20 **For 20 units, that equates to \$17.33 per unit per month. This does not sound reasonable as a**
21 **residential customer in the Company's proposed rate increase would be paying \$57.77 or a**
22 **stand alone business with the minimum sized 5/8" meter would be paying \$86.66. We believe**
23 **that there is no fair and equitable way to arrive at a commercial fee without using volumetric**
24 **water consumption factoring in the type of effluent created and the load it would place on the**
25 **sewer plant.**

26 **RV PARKS**

27 **Q. Do you have any disagreement with the proposed charge of \$19.25 or 33.33% of the**
28 **residential rate?**

1 A. Yes. The Foothills area is comprised of many subdivisions known as "mobile estates", most of
2 them developed by H&S Developers. Most of these "mobile estates" lots, in addition to modular or
3 site built homes, allow park models or standard RV's. These park models or RV's are then charged the
4 residential rate. The same park model or RV moved to an RV park would then be charged only
5 33.33% of the residential rate.

6 Staff indicated that they conferred with ADEQ and came up with the 33.33% number. Staff made no
7 mention of how ADEQ might have arrived at that figure. We maintain that it was just an arbitrary
8 number no common sense used. The 2010 census numbers indicate 1.7 persons per household in the
9 Foothills area. We maintain most RV's and park models, whether located on it's own lot or inside an
10 RV park, are occupied by two people. Those two people produce the same amount of sewage whether
11 they are in an RV park or on an individual lot.

12 **Q. You don't see any difference between an RV located in a park and one located on it's own**
13 **lot?**

14 A. Yes, we do in some cases. Many of the so called "mobile estates" lots where there are RV's have
15 sheds or support buildings with a washing machine inside. The RV park user, most often, must go to a
16 laundromat, which is usually located inside the RV park.

17 **Q. So, is it fair to charge a full residential rate to the RV park resident?**

18 A. We believe it is, however as a compromise, a rate of 70% of the residential rate is much more
19 likely to be closer to equal in terms of contributed sewage since laundromats are usually used outside
20 the RV and will be paying for that share of the sewage.

21 **EFFLUENT RATES**

22 **Q. Do you have a position on the effluent rates?**

23 A. Yes, we support Staff's recommendation.
24

25 **MISCELLANEOUS SERVICE CHARGES**

26 **Q. Do you agree with the miscellaneous service charges?**

27 A. We have no disagreement with after hours service charges, however we want the Company to

1 adopt a well defined list of services and their dollar charges. The Company needs to define both
2 “physical disconnection and reconnection” and “at cost” for disconnect and reconnect charges for
3 sewer customers that are not Far West Water customers. Our understanding of this disconnection
4 charge is due to Far West's not having the ability to disconnect water service to sewer customers who
5 are not Far West water customers. We believe Staff and Far West should investigate the legality of
6 disconnecting sanitary sewer service. There are other methods of accomplishing the same goal which
7 include applying a lien to the property or having an intergovernmental agreement with the city of
8 Yuma to have the water turned off. A physical disconnection of the sewer would require a dig up in
9 the street or on private property and extreme expense that is not necessary.

10 **CONCLUSIONS**

11 **Q. The rate design you are proposing for commercial and RV Parks will result in significant**
12 **increase of revenue. Do you think that should just be allowed to be added to their bottom line?**

13 A. No. All increased revenue from those two areas need to be used to reduce the residential rate.
14 The residential customer has been carrying an unfair burden compared to RV Parks and commercial
15 users.

16 **Q. What do you have to say in conclusion?**

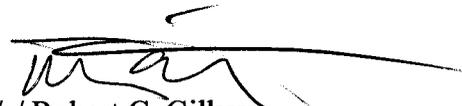
17 A. The rate base needs to be calculated on the current total number of connections **plus** those where
18 capacity fees have already been paid and accepted. There needs to be an annual recalculation of the
19 rates necessary to fund the adopted rate design based on current connections at the end of each
20 calendar year. An option would be to deposit into a fiduciary account the monies collected over and
21 above the approved rate base pending the next rate case.

22 We feel the residential rate cannot be justified to be any higher than the current rate for the City of
23 Yuma which is \$32.48 per month according to Ray Jones' answer to Spartan Homes DR 1-5. We
24 would accept this as a temporary rate to cover the cost of the Interim Manager, forensic and
25 operational audits.

26

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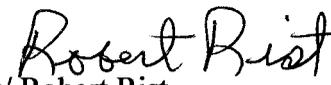
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/s/ Robert C. Gilkey

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/s/ Barbara S. Gilkey

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Attachment 1



Schechert Family Aquatics & Fitness RV Park
11737 S. Foothills Blvd.
Yuma, AZ 85367

For reservations or information, please call the front desk at **(928) 345-0321**.

The use of Schechert Family Aquatics & Fitness Center is available, free of charge, for all who reside in the park.

Phone service available from independent supplier.

ANNUAL RATE \$2850 + electricity

MONTHLY RATE
\$350.00 + electricity

WEEKLY RATE
Apr. – Oct. \$195 (includes full hook-ups)
Nov. – Mar. \$235 (includes full hook-ups)

DAILY RATE
Apr. – Oct. \$30.00 (includes full hook-ups)
Nov. – Mar. \$35.50 (includes full hook-ups)

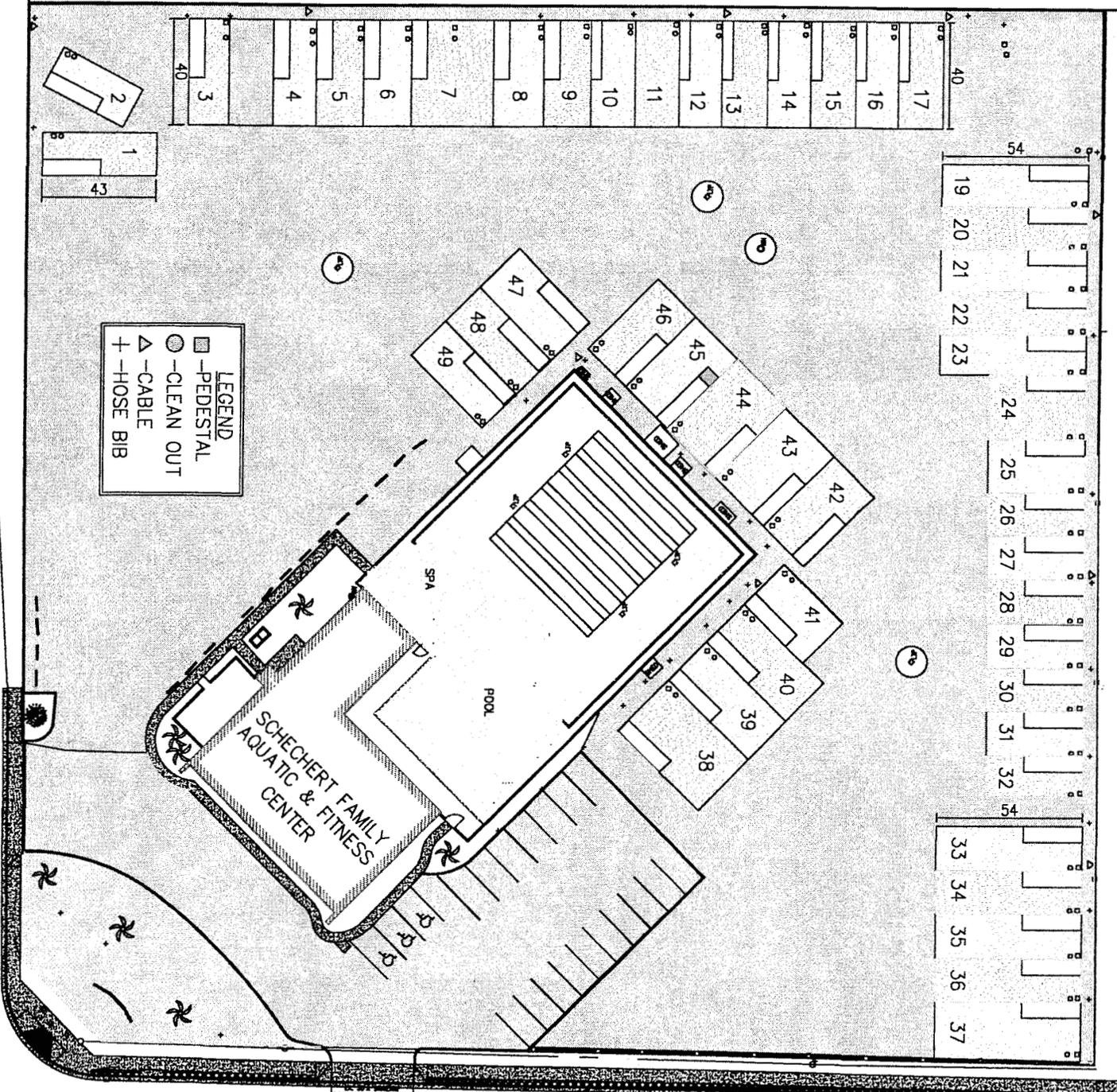
Monthly reservations require one month's payment in advance.

All rates subject to change prior to receipt of deposit.

"El Rancho Encantado"

For more information about Seasonal Rentals and Lot Sales, contact
Nikki Watson at **(928) 342-3281**
Rent to own, and special financing available.

LOTS	
1	- 16 X 43
2	- 16 X 32
3	- 16 X 40
4	- 16 X 40
5	- 17 X 40
6	- 18 X 40
7	- 31 X 40
8	- 19 X 40
9	- 18 X 40
10	- 17 X 40
11	- 16 X 40
12	- 16 X 40
13	- 17 X 40
14	- 16 X 40
15	- 17 X 40
16	- 16 X 40
17	- 16 X 40
18	- NO ACCESS
19	- 16 X 54
20	- 16 X 54
21	- 16 X 54
22	- 16 X 54
23	- 15 X 54
24	- 24 X 36
25	- 21 X 36
26	- 16 X 36
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28	- 16 X 36
29	- 16 X 36
30	- 16 X 36
31	- 16 X 36
32	- 16 X 36
33	- 16 X 54
34	- 16 X 54
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LEGEND	
□	-PEDESTAL
○	-CLEAN OUT
△	-CABLE
+	-HOSE BIB

38TH STREET

FOOTHILLS BOULEVARD