

W-01580A-13-0255

ORIGINAL

ARIZONA CORPORATION COMM

UTILITY COMPLAINT FORM



0000147914

Investigator: Carmen Madrid

Phone:

Fax:

Priority: Respond Within Five Days

Opinion No. 2013 - 112573

Date: 9/3/2013

Complaint Description: 08A Rate Case Items - Opposed
N/A Not Applicable

First:

Last:

Complaint By: Jerry

Lewinson

Account Name: Jerry Lewinson

Home:

Street:

Work: (000) 000-0000

City: Payson

CBR:

State: AZ Zip: 85541

is: E-Mail

Utility Company. Tonto Village Water Company, Inc.

Division: Water

Contact Name:

Arizona Corporation Commission

Contact Phone:

Nature of Complaint:

Jerry Lewinson

Payson, AZ 85541

DOCKETED
SEP - 5 2013
DOCKETED BY [signature]

RECEIVED
2013 SEP - 5 A 9:52
AZ CORP COMMISSION
DOCKET CONTROL

August 29, 2013

Re: Arizona Corporation Commission Utilities Division 1200 W. Washington Street Phoenix, AZ 85007
Docket #W-1580A-13-0255 Tonto Village Water Co. Rate Increase Application Attention: Docket Control,
I am writing this as a resident and property owner in Tonto Village not as chairman of the Tonto Village Domestic Water Improvement District (TVDWID). As of this time there has been no meeting by the TVDWID board to take any actions relative to this rate case.

Since Jeff Daniels purchased the Tonto Village Water Company (TVWC) I have waited patiently for the Water Company to replace the failing infrastructure in Tonto Village I & II. When Mr. Daniels purchased the Water Company he acknowledged the degenerated water lines needed replacing just as the previous owners the "Standage's" acknowledged before him, and promised that the failing infrastructure in Tonto Village I & II would be replaced within 5 year as he was securing WIFA loans.

I was hopeful that he could accomplish the line replacement but to date this has not happened. I am sure that he has done the best he can however Mr. Daniels told me personally that he cannot afford to do the necessary upgrades without loans and that the TVWC was turned down by WIFA because it had no collateral to guarantee the loans. Based on the WIFA response it seems unlikely that TVWC can ever secure the \$500,000 to \$700,000 that it will take to upgrade this system properly.

The rate increase that TVWC is asking for is huge. The worst part is this money can never be enough to even start the repairs needed for the system and prevent the constant leaks, shut downs and pressure loss which

ARIZONA CORPORATION COMMISSION

UTILITY COMPLAINT FORM

provides the opportunity for the ever present septic effluent to enter the water lines. We need the water system upgraded properly and permanently. I cannot support a rate increase that does not address this critical public health and safety issue.

After analyzing the proposed rate increase I did some research into water company rates in Arizona. A WIFA report is readily available that compares rates of all water companies in Arizona. The report uses 7,500 gallons per month as the typical usage for the average family. Using the WIFA average usage of 7,500 our current monthly rate would be \$23.50. Using the proposed rate increase the average user's monthly bill will jump from \$23.50 to \$54.30 per month. That is an impressive request.

I also contacted the USDA in 2011 regarding their Rural Development Water and Environmental Programs (WEP) programs to help small public utilities such as Tonto Village Domestic Water Improvement District restore deteriorating water systems. I was told that TVDWID would qualify having the lowest Median Household Income (MHI) level and therefore is entitled to grants up to 75% and loans at the lowest interest rate (2.25%) over 40 years. Based on the studies that were done when the water district was formed it seems that it would take about \$500,000 to \$700,000 to properly replace the failing water lines and improve the wells production and storage facilities as well as automatic generator backup in power outages.

The USDA gave me an estimate of costs to the water improvement district based on a \$700,000 loan only, leaving any grants out of the calculation for now. The principal and interest on the note would be about \$14.50 per home meter. Add to that the water system operational costs \$35,000 which would equal about \$16.50 per meter, per month, for a total of \$31 per month for a safe and robust water system. The proposed increase to \$54.30 with no improvements pales by comparison. Additionally TVWC and Mr. Daniels attitude that "water can be wasted because it costs nothing" indicates that the graduated usage cost is not justified in addition to being usurious and outrageous.

I am hopeful for a resolution that is fair and beneficial to Mr. Daniels and the Tonto Village residents. Given the urgent public health and safety issues of the existing system the day-to-day operating practices and responsibilities of TVWC and Mr. Daniels relative to the following items need to be clarified, stated and implemented:

- Urgency in repairs. Leaks go on for long periods of time and it has been reported that the Water Company says we are not in hurry the water does not cost us anything." It does however add to the operational costs spurring the rate increase and negates the needs for accelerated cost per gallon billing.

- The water system has a very weak, antiquated and vulnerable piping system made out of 1950's 1/16" thin irrigation poly material from the Orient, held together with improper fittings, rubber boots and band clamps from the old days. The expanding and contracting clay soils cause small rocks to migrate to the pipe and over time etch cracks into the thin material. Much of this piping is in direct contact with septic system leach fields. Late last year I had a water leak at my home and when Mr. Daniels was digging out the water line he broke the septic leach line pipe of the house behind me. The high risk of septic systems contaminating water lines is a real and present danger when breaks occur. Because of this consumer confidence in the quality of the water is low among Tonto Village residents. I am told that most residents buy bottled water as a result which is both inconvenient and expensive. There must be a definite plan to replace the failing infrastructure.

- Proper repair techniques must be practiced as recommended by ADEQ. ADEQ states that the system should be disinfected and all the lines flushed out after any repair to purge the debris that falls into the repaired piping as well as any contaminants infiltrating from the septic systems into cracks and old, improper repairs during pressure loss. This also means that system flushing should happen when any loss of pressure occurs including power outages. To my knowledge there are no above ground flushing ports and no proper flushing procedures followed during repairs. No one I have talked to is aware of a flushing ever having occurred.

- Consumer Confidence Reports should be sent to residents as was the practice of the former owner of TVWC.
- Beyond the required report information there should be additional disclosures of these items at a minimum:

ARIZONA CORPORATION COMMISSION
UTILITY COMPLAINT FORM

- System water quality,
- Sustainability of the water supply and depth to the water table ie: the state of water usage vs aquifer draw-down,

- Water quality testing from all wells including the original well 2 and 3 as well as what condition are they in (Some people have commented to me that they are finding sand in their toilet tanks, which could possibly indicate over-pumping or well stress),

- Is the performance of the new well #2 affected by simultaneous pumping of the original well 2 and/or well 3,

- Water pressure is very low in the Tonto Village III and it appears that everyone is on one well now with the pressure kept low to prevent pipes from bursting in Tonto Village I & II. Is this so and what is the solution,

- Do we have a good backup well?

These items should be included with this report so people feel secure.

Where Mr. Daniels purchased the Tonto Village Water Company he knowingly took on a difficult task that has little reward and lots of liabilities from potential public illness from constant line breaks and pressure losses. However the difficulty of the task is no excuse for not fulfilling his responsibilities to the public. Mr. Daniels must be more aggressive to protect the residents of from the effects of pressure loss and give us enough information about the condition of our system so that we can be confident in the quality of our drinking water and its long term availability.

To that end I encourage the Corporation Commission to:

1. Require water system operation in a fashion to protect the health of Tonto Village residents by addressing all concerns noted above.

2. It appears that there was an operating income of \$421 in the test year rather than an operating loss of \$3,480.16 as claimed in TVWC's rate increase Customer Notification mailed to residents. If a rate increase is considered then my recommendation would be a maximum increase of \$5,500 (10% return on the \$54,922.80 purchase price Jeff Daniels paid for the Tonto Village Water Company) along with no increase in tiers 1&2, eliminating tier 3, eliminate the \$5 late penalty vs 1.5%, and increase only the base rate.

Thank you for your consideration of this matter.

Sincerely,
Jerry Lewinson
End of Complaint

Utilities' Response:

Investigator's Comments and Disposition:

Opinion noted and filed in Docket No. W-1580A-13-0255. closed
End of Comments

Date Completed: 9/4/2013

Opinion No. 2013 - 112573
