

OPEN MEETING AGENDA ITEM



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THE CORP COMMISSION
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Arizona Corporation Commission
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Bob Stump, Chairman
Gary Pierce, Commissioner
Brenda Burns, Commissioner
Bob Burns, Commissioner
Susan Bitter Smith, Commissioner
Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85004

Re: Comments on Cerbat Rate Case Docket No. W-02391A-13-0234

Dear Chairman Stump and Commissioners:

UNS Electric, Inc. ("UNSE") provides electric service to Cerbat Water Company ("Cerbat") and is submitting these comments on Cerbat's pending rate case in order to bring an issue of concern to the Arizona Corporation Commission's ("Commission") attention. Although UNSE does not want to delay the rate increase proposed in the March 21, 2014 Recommended Opinion and Order ("ROO"), UNSE believes the Commission should be aware of an ongoing issue prior to making its ruling on the ROO in the event the Commission determines it is appropriate that the ROO be amended.

Cerbat has a significant history of delinquent UNSE bills for non-payment and late-payments, dating back to 2010, which is well documented in Cerbat's pending 2013 Rate Case.¹ Although it was anticipated that Cerbat would address this problem given the rate relief and financing authorization the Commission granted two years ago, the problem has persisted. As of April 3, 2014, Cerbat currently has a past due balance on its UNSE account that provides electric service to its wells ("Well Account") in the amount of \$14,216.23.² Additionally, Cerbat is often late on payment of its monthly bills.

To put this amount into context, please see the chart below:

	Date	Balance
Zero Balance	August 10, 2010	\$0.00
Commission filed OSC against Cerbat	April 18, 2011	\$9,499.45
Cerbat filed a Financing Application	August 3, 2011	\$16,185.06
Final Order for rates, financing application & OSC	January 19, 2012	\$17,259.99
Cerbat filed Rate Application	July 02, 2013	\$18,116.27
ALJ issued ROO in Rate Application	March 21, 2014	\$16,786.67

¹ These issues are also addressed in Cerbat's previous application for approval of a rate increase (2010 Rate Case), 2011 Order to Show Cause ("OSC"), and application for approval to incur long-term debt (2011 Financing Application). See, In the Matter of the Application of Cerbat Water Company for Approval of a Rate Increase, Docket No. W-02391A-10-2018; In the Matter of the Commission on its own Motion investigating the Failure of Cerbat Water Company to Comply with Commission Rules and Regulations, Docket No. W-02391A-11-0166; and In the Matter of the Application of Cerbat Water Company for Approval to Incur Long-Term Debt, Docket No. W-02391A-11-0309.

² It should be noted that Cerbat only made a \$2,5710.44 payment on April 3, 2014 after UNSE called them on Thursday March 27, 2014 to, yet again, discuss another missed payment (due on March 24, 2014), and to inform Cerbat that the situation had once again become so worrisome that UNSE may file comments in Cerbat's rate case docket.



Despite repeated late-payments, missed payments and a continuing past due balance, UNSE has not discontinued service to Cerbat's wells because Cerbat is a water utility and UNSE understands the importance of a utility providing service to its customers. However, UNSE and its customers should not continue to effectively subsidize the owners of Cerbat.

UNSE has repeatedly and diligently tried to work with Cerbat to reduce the large delinquent balance and to ensure timely payment of Cerbat's current monthly bills. Cerbat has made sporadic efforts to reduce the delinquent balance but, as is shown above, the delinquent amount has barely changed over the past two and a half year.³ UNSE requests that the Commission address this issue in the pending rate case order as a condition of its rate relief. In the ROO, the Administrative Law Judge included a condition that before Cerbat's new rates could take effect, it had to "provide evidence that it has established a payment plan with the Mohave County Assessor's office for delinquent property taxes."⁴ A similar condition may be appropriate for the delinquent amount owed to UNSE. However, it should be noted that following the 2011 Order to Show Cause proceeding, UNSE established a payment plan with Cerbat. Unfortunately, Cerbat has not made payments in accordance with the plan. Therefore, language in the 2013 rate case order that would be enforceable by the Commission and by UNSE should Cerbat continue its delinquent payment pattern is appropriate under the circumstances. Moreover, given the pending rate increase and the length of time that UNSE and its customers have subsidized Cerbat's operations, Cerbat should be required to pay down its delinquent balance expeditiously and ordered to timely pay its current monthly UNSE bills.

I will be at the April 8 Open Meeting to provide additional background and to address any questions that the Commission may have. Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink that reads "David Couture". The signature is fluid and cursive.

David Couture
Manager, Key Account Services

cc: Mr. Steve Olea, Director of Utilities
Hon. Jane Rodda, Administrative Law Judge
Mr. Charles Hains, ACC
Mr. Rick Neal
Ms. Michelle Monzillo

³ UNSE finds this situation worrisome considering the Commission previously authorized an emergency Well Repairs Surcharge of \$12.52 to be paid by each month by Cerbat's customers in order to lift Cerbat out of \$119,444 of debt; \$8,364.04 of which was amounts Commission Staff concluded were owed to UNSE. *See*, Decision No. 72385 (May 27, 2011). This surcharge was subsequently superseded when the Commission granted Cerbat authorization to obtain a Water Infrastructure Financing Authority of Arizona ("WIFA") loan in the amount of \$343,755 for the purposes of constructing a new well (\$171,319) and to pay vendors and creditors (such as UNSE) who were previously being paid through the now discontinued Well Repairs Surcharge (\$172,436). *See*, Decision No. 72739 (January 19, 2012). According to Cerbat's 2013 Rate Case application, it did in fact receive a loan on April 2, 2012 for \$331,875.

⁴ In the Matter of the Application of Cerbat Water Company for Approval of a Rate Increase, Docket No. W-02391A-13-0234; ROO at Page 18, Ln 24-25.