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July 2, 2014

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

Arizona Corporation Commission

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JUL 3 2014

AZ CORP COMMISSION
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ORIGINAL

Docket # W-02027A-13-0470

DOCKETED BY 

In reading through the memorandum dated 6/23/2014 DPSC would like to file comments that we feel are in the best interest of DPSC. DPSC is requesting that our objections and concerns be considered by the Commission before a final determination is made. We can not meet all of the proposed or recommended items that are discussed in the report. DPSC has one part time operation's manger and one part-time water system operator and the recommendations would require additional staff in order to meet these recommendations. DPSC can not financially support these recommendations at this time. DPSC is located in a rural area and finding qualified staff is difficult if not impossible. Yuma is located a minimum of one hour's drive each way, and Phoenix requires a minimum of 2.5 hours each way. Just paying for driving time is not financially fisable.

In reading the Staff Recommendations there are some items that DPSC does not feel they can meet the recommendations. These are the items needed to be addressed:

1. DPSC agrees with the recommended rates as shown in Schedule JLK-4. The three year proposed plan should meet the community and the utility needs. DPSC appreciates the tier system that the Commission has established and believes that our poor community can adjust to these changes over the three year period of time.
2. DPSC does not understand why it is ordered to file with Docket Control a tariff schedule of its new rates and charges since these items are set by the Commission and will be part of this docket package. DPSC will use the Commission's rates and charges as reported to our customer's in the "special mailing" requirement of the Commission, or the final rates that the Commission establishes. DPSC has only part time one employee and would like this tariff to be removed as a requirement.
3. DPSC agrees with depreciation rates as presented in Table B. This schedule will be implemented and adjusted on our annual reports.
4. DPSC does not agree that we should provide a copy of all annual audit reports that are provided to the USDA. DPSC and USDA are under contract with each other and these contracts are between these two parties. DPSC has provided written authorization allowing the Commission to review the file and feel that this is sufficient. DPSC's file can be reviewed annually by the Commission staff if necessary but notification should not be required.

5. DPSC has purchased the RVS Mosaics computer program that prepares the monthly billing and this has been in service since November 2012. DPSC has purchased the Quicken home and business and this program has been in service starting 01/01/2014. DPSC feels that these programs meet the uniform system of accounts. DPSC is unable to purchase additional software programs at this time, and feel that the programs in service meet the needs of our small utility system. DPSC has provided the Commission with an updated inventory with our rate request for the year ending 2012. DPSC provides updates on an annual basis per the annual filings. DPSC feels this is sufficient. DPSC believes that the current billing and accounting programs are viable accounting systems. It would be a financial burden upon DPSC to replace our current accounting systems and to hire this done would require funds that are not available to us.
6. DPSC does not want to commit to this request. Although this is a good request and rate increases are necessary in the future, we do not want to commit to an exact date. DPSC will file for the next rate increase when the funds are available to hire this task done and when our community can bear additional financial responsibility. DPSC has also been considering becoming a DWID and this is still on the table with our Board of Directors. We have not moved forward because of the time involved and our Operation's Manager is a part time employee. Because of the time spent with the USDA grant process still item has not been fully researched but DPSC believes that becoming a DWID may be in our best interest in the near future.
7. DPSC can not meet this request. This information has been provided to the Commission with the 2012 rate increase documentation. DPSC will use the staff's calculations and the Estimated replacement costs and maintenance sheet will be corrected based upon ACC staff recommendations. DPSC does not have the funds to hire plant vendors to develop and adopt a verifiable plant maintenance and replacement schedule. The schedule that was provided to ACC is based upon all of the equipment that was purchased and the estimated life based upon vendor warranties. This would be a financial burden upon DPSC to pay outside vendors to meet this request. Part of the USDA requirements was that our water operator be trained on all of the equipment, which was done. Also all vendors provided operational and maintenance manuals which are being used at this time. DPSC does not feel that money should be spent to hire this work to be done or that we should have this as a compliance item in our docket.
8. DPSC is currently monitoring its water system and annual gallons pumped and sold are reported annually to the Commission. Currently maintenance reports for the equipment and for the well meters are maintained daily and/or monthly. These reports were established by the RO vendor (Doosan) and these reports are available on site. DPSC can not reduce its water loss to 10% or less. The water in our aquifer has high levels of Fluoride and Arsenic and the pre-treatment and RO Systems were designed to meet our water contamination needs. Our RO loses 18% to 20% in the treatment process. This could probably be reduced to 15% if the RO membranes were changed annually but this would be too large of a financial burden on DPSC. DPSC is unable to meet the request for a detailed analysis and plan to reduce water loss to 10% or less since our treatment process can not be adjusted to a 10% loss. DPSC was out of compliance with the Safe Drinking Water Act and that is one of the reasons the USDA granted the funds to replace/improve the treatment plant. DPSC does not believe that funds would be provided by the USDA to replace our treatment system at this time. DPSC is not

financially able to replace our treatment system. The HERO system had been considered in the initial evaluation based upon the engineering reports, USDA funds available, and the water testing reports, but the price tag was around one million dollars and USDA funds were not available. Our current RO system proved to be the best viable answer given all of the above factors.

2012 Water Use data sheet shows 15,971,501 gallons pumped and 9,984,132 gallons sold for a loss of **5,987,369**

(DPSC has explained this additional water loss was a condition of construction.) Also our old RO system had a loss rate of 33% and this RO was being used up to the time the new RO became operational which was approximately 6 months of 2012.

2013 Water Use data sheet shows 14,077,906 gallons pumped and 10,207,750 gallons sold for a loss of **3,870,156**.

DPSC has grown from a small one acre site to a four acre site. Yuma planning made us plant trees and scrubs around the entire four acre site as a barrier. These trees and scrubs (approx. 100) are maintained on a watering system that waters (each of 4 sections) approximately one hour daily for about 12,000 gallons per month. Also we have as part of our maintenance program the regeneration of the softeners (with brine water) at about 4,000 gallons per month. Rinse/backwash about 4,000 gallons per month. GAC pre-treat tanks approximate 4,000 per month. RO pre/post rinse cycle requires around 3,600 gallons per month. Also considered is the power cleaning of our solar panels, storage tanks, building, etc. DPSC estimates 35,000 per month is our maintenance programs or 420,000 annually. We estimate RO reject to be around 182,700 per month or 2,192,400 annually.

DPSC does not want this to be docketed as a compliance item. We feel that it is impossible to meet a 10% loss rate and DPSC is not financially able to replace our treatment system.

9. DPSC has listed these items in answer 8 above.
10. BMP 5.2 tariff in Exhibit A concerning conservation of groundwater, DPSC feels is already existing in the Arizona Administrative Code R14-2-410. A list of all of the Arizona Administrative Codes are available for review by it's customers.

BMP 3.7 tariff can not be managed by a part time operation's manager and a part time water operator. This would be to costly for DPSC to implement.

Public Education Program Tariff can not be implemented by DPSC at this time. While it is our desire to establish education tours of our treatment facility explaining the need to conserve water DPSC does not have staff available that can produce two newsletters per year at this time. DPSC has "free" water conservation materials available for our customers and it is provided when requested. Since DPSC does not have a public office, a public library, a chamber of commerce, or community events, this can not be implemented. This tariff would involve additional staff that is not available to us because of our current budget.

DPSC does not feel that it can implement the BMP tariffs (BMP 3.7, BMP 5.2 and Education Program Tariff) at this time due to the financial hardship these tariffs would impose.

In closing, please consider our requests and the explanations that have been provided. Imposing these recommendations upon DPSC at this time is not financially feasible, or staff feasible. Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Michelle Lane".

Michelle Lane
Operation's Manager

cc: Jerry Hunt (legal)
DPSC Board of Directors