

W-02747A-15-0293



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# Arizona Corporation Commiss

## Utilities Complaint Form

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2015 SEP 21 4:03 PM  
AZ CORPORATION  
DOCKET CONTROL

**Investigator:** Richard Martinez

**Phone:** <<< REDACTED >>>

**Completion Date:** 9/18/2015 2:51 PM

**Priority:** Please respond within 5 business days

**Opinion Number:** 2015 - 124086

**Opinion Codes:**  
Rate Case Items - Opposed

**Opinion Date:** 8/20/2015 3:03 PM

**First Name:** Thomas

**Last Name:** Bronk

**Account Name:** Thomas Bronk

**Street Address:**

**City:**

**State:**

**Zip Code:**

**Company:** Los Cerros Water Company, Inc.

**Division:** Water

### Nature Of Opinion:

**Docket Number:** W-02747A-15-0293

Arizona Corporation Commission  
**DOCKETED**

**Docket Position:** Against

**Docket No.:** W-0274A-15-0293

SEP 21 2015

DOCKETED BY	
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Mr. Martinez,

As stated on the phone, I received notice in my most recent bill from Los Cerros Water Co (the company) stating they had applied to the C.C. for a rate increase.

The letter contains a couple things I have questions about, and feel they might be relevant to the C.C. decision on this matter.

The company states that 2014 is their base year for comparison purposes and that operating income for that year was \$21,107. Their next paragraph states they are applying for an increase of \$88,200 (25.68%) of total revenues. They then refer the customer to pages attached which show proposals for minimum service charges, rates per thousands of gallons of usage and other items. These are pretty specific dollar amounts, and quite frankly this entire batch of info is so ambiguous that it's really meaningless to the average customer. They also state that the entire rate increase document can be accessed if anyone desires to see it, so it's quite possible that a full explanation of all the numbers might be shown there. What I would be interested in is a little clarity for the revenue increase of \$88K they are requesting. Is this per year, every year that all their expenses are the same as 2014? If all the rates are permanent then the \$88K must be permanent. So they will realize this \$88K from now on. The \$21K is called, "an operating income" and the \$88K is called, a "revenue increase". Are these two things the same so the \$21K is going to become \$88K, or is the \$88K going to be in addition to their \$21K of income? How does a 25% rate increase work into the issue? I guess it easy to see why I said the info is ambiguous. There is just not enough info, or explanation of the numbers, to understand what they are asking for.

Secondly. They state they haven't had a rate increase since 1998. But several years later they had a tremendous boost to their income through the addition of the Black Horse subdivision units within their service area. As I understand the circumstances, the developer was required to build a 1M gallon tank with accompanying well for subdivision usage, and to bolster the water company's facilities - at practically no cost to the company. The developer also provided the entire water system throughout the subdivisions. This also became property of the company. So with practically no cost

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# Arizona Corporation Commission

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to them the company added hundreds of new paying customers to their customer base, and their revenue stream should have skyrocketed. It's now probably been near 10 years since that all took place, but with the water company restricted to their fairly small service area, and not having to provide any substantial plant increases or high dollar maintenance, what happened to that significant addition to their income stream that is now down to \$21K per year?

Having retired from a 36 year career with a major utility company I know rate increases are necessary. It's critical that utilities are able to connect new customers to their existing plant without spending a fortune extending new facilities. Maintenance is also a high dollar item and takes a major bite out revenue. So if maintenance costs are contained and the customer base rises significantly, revenues are usually in good shape. This seems to be the case for Los Cerros Water so it seems that this needs further investigation.

I became their customer in 1999 and can say that they have been a very good provider of my water service. Outages have been almost nonexistent and I don't think their rates are out of line. I am a satisfied customer, but a significant rate increase is going to hurt a fixed retirement income. I would definitely approve a moderate increase if investigation of those issues I described above indicate that it's really needed.

Thanks for your ear,  
Thomas W. Bronk

Tucson (Catalina), AZ 85739

(Also issued a complaint)

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**Notes:**

<b>Date:</b>	<b>User:</b>	<b>Submitted By:</b>	<b>Note Type:</b>
8/20/2015	Richard Martinez	Telephone	Investigation
Customer against the proposed rate increase.			
<b>Date:</b>	<b>User:</b>	<b>Submitted By:</b>	<b>Note Type:</b>
8/20/2015	Richard Martinez	Telephone	Investigation
Docketed and filed for the record.			