



ORIGINAL
Ash Fork Water Serv

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P.O. Box 436 Ash Fork, AZ 86320



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ORIGINAL

To: DOCKET CONTROL

From: Ash Fork Development Association, Inc.
Db: Ash Fork Water Service
Manager, Lewis E. Hume

Date: January 20, 2016

Re: Companies response to Staff Report on Rate Case and Financing Application
Docket nos. W-01004B-15-0313 and W-01004B-15-0342

RECEIVED
2016 JAN 25 4 11: 10
AZ CORP COMMISSION
DOCKET CONTROL

Attached find: 1 original and 13 copies of
Comments to Staff Report
4th quarter Arsenic testing analysis report

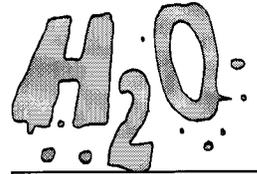
Arizona Corporation Commission
DOCKETED
JAN 25 2016

DOCKETED BY *KH*



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COMMENTS TO STAFF REPORT

The Staff Report was Docketed on Jan 11, 2016, it was received here at our office on Jan. 15, 2016 with a requested response date of on or before Jan 21, 2016. These dates are very tight for any in depth analysis of the Staff's recommended adjustments to various items, depreciation adjustments etc. A Federal Holiday was also recognized in this period.

The Staff Report did not included, as a matter of convenience for me, phone number of the commission, or any phone number or e-mail address of those listed on the "Service List".

As A Note: We have recently secured Accounting services from a new firm, experianced in our type organization.

Rate Base

Adjustments to various capital accounts by Staff.

With my limited time for review and knowing Staff is very experienced in this type analysis I will not dispute these adjustments. I also feel third party generated receipts are the best way to quantify.

Operating Revenue

Adjusting Revenue to reflect the amount of water used in company owned buildings and community enhancements (irrigation) seems through. Was this theoretical revenue calculated at retail levels or just cost?

Rate Design

Monthly Usage Charge

Staff has recommended higher rates for all meter sizes.

In the 5/8" x 3/4" meter size, Staff Recommended a \$12.20 rate. This is a 20-cent increase. This increase in not relative (in amount) to the staffs other recommended costs increases for the other meter sizes.

Example 1" meter, proposed increase of \$12.00.

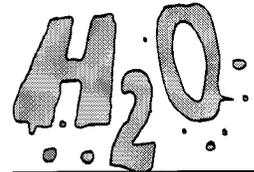
I would again ask that the Company proposed rate of \$13.50 for the 5/8x3/4 be reconsidered.

5/8" x 3/4" meters and 3/4" meters are many times found at the same rate (currently at Ash Fork Water). In many cases it is hard to distinguish the difference between the two sizes. Please consider like rates for these 2-meter sizes.



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The greatest concern with the Staff Report is the limited analysis performed on the bulk water sales. Bulk water sales accounted for 60% of our total water sales (gallons) for 2014. This is a major amount of sales, it should be analyzed in more detail. I am also concerned with no mention of how to apply an Arsenic Surcharge Mechanism to these bulk water and coin operated standpipe users. Appears to me the only option is to tie it directly to the per 1,000-gallon price.

Example: An increase of \$.30 per 1000-gallon as proposed in the staff report for bulk water sales for general operations adjustment with an additional \$.15 for the Arsenic treatment cost at the time of the surcharge being implemented.

Other concerns:

- I did not see any consideration for the items the company identified in their 3-year improvement plan as listed in the Rate Case Narrative.
- The company proposed rate structure was given little consideration, noticeably no discussion or comments on the possibility of a residential standpipe rate.
- GPM for both ground water wells is reported incorrect. 126 GPM as stated in the rate application is a more accurate figure.
- When doing any analysis on the Coin Operated rate keep in mind it has an after tax sale price. State sales tax has to be backed out of the gross sales as there is no reasonable way of applying sales tax at the time of sale to these type customers.
So the current \$10.00 per 1,000 gallon rate is actually a pre-taxed rate of \$9.35 per 1,000 gallons. (6.5% tax rate)

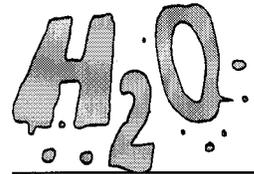
It would be great to see

A schedule prepared that shows projected revenues across all customer types (base charge and water use), from staffs proposed rates. This would identify exactly where the increased revenues are being derived.



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In conclusion, I feel staff has adequately compiled the numbers to give us a good look at revenue/expenses for our operation in 2014. Additional consideration and analysis is needed in the bulk water rate/coin-op rate so that we can see and plan for equable recovery of Arsenic treatment costs across all customer classes. The general comment from my Board was, that ACC Staff may not have a complete and accurate picture of our operations and the hauled water customers. We would always welcome a visit by staff to see firsthand the unique features of our operation.

I look forward to the Staff's response to our comments. I'm also confident that with some additional correspondence and a working together commitment, a rate schedule that is financial adequate and best suits the Ash Fork Water Service can be developed.

Submitted by,

Lewis E. Hume
Manager, Ash Fork Water Service

Ashfork Water Services
P.O. Box 436
Ash Fork, AZ 86320

Project: Drinking Water Analysis
Project Number: 11/19/15
Project Manager: Lewis Hume

Reported:
12/04/15 14:00

13-008-4QTR-AF2 (EPDS #2) (5112072-01) Drinking Water (Grab) Sampled: 11/19/15 14:00 Received: 11/24/15 11:00

13-008

Analyte	Result	PQL	Units	Dilution	Batch	Prepared	Analyzed	Method	Notes
Legend Technical Services of Arizona, Inc.									

Total Metals

Arsenic 0.0104 0.0010 mg/L 1 B5L0744 12/01/15 10:15 12/01/15 18:30 EPA 200.8

13-008-AF1 (EPDS #1) (5112072-02) Drinking Water (Grab) Sampled: 11/19/15 14:10 Received: 11/24/15 11:00

Analyte	Result	PQL	Units	Dilution	Batch	Prepared	Analyzed	Method	Notes
Legend Technical Services of Arizona, Inc.									

Total Metals

Arsenic 0.0090 0.0010 mg/L 1 B5L0744 12/01/15 10:15 12/01/15 18:40 EPA 200.8

Actual

	mg/L	RAA
11/19/15	0.0104	0.009975
9/1/15	0.0100	
6/22/15	0.0103	
3/24/15	0.0092	

Projected w/ 1st Qtr 2016
1/16

0.0104 0.010275