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**ORIGINAL**

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JUN 17 2016 A 10: 24

**BEFORE THE ARIZONA CORPORATION COMMISSION**

AZ CORP COMMISSION  
DOCKET CONTROL

1 John E. Dougherty  
2 PO Box 501  
3 Rimrock, AZ 86335  
4 Complainant & Intervenor  
5

**COMMISSIONERS**

11 DOUG LITTLE-Chairman  
12 BOB BURNS  
13 TOM FORESE  
14 BOB STUMP  
15 ANDY TOBIN  
16

17  
18 IN THE MATTER OF THE APPLICATION OF  
19 MONTEZUMA RIMROCK WATER COMPANY,  
20 LLC FOR APPROVAL OF FINANCING TO  
21 INSTALL A WATER LINE FROM THE WELL ON  
22 TIEMAN TO WELL NO. 1 ON TOWERS  
23

**W-04254A-12-0204**

24 IN THE MATTER OF THE APPLICATION OF  
25 MONTEZUMA RIMROCK WATER COMPANY,  
26 LLC FOR APPROVAL OF FINANCING TO  
27 PURCHASE THE WELL NO. 4 SITE AND THE  
28 COMPANY VEHICLE.  
29

**W-04254A-12-0205**

30 IN THE MATTER OF THE APPLICATION OF  
31 MONTEZUMA RIMROCK WATER COMPANY,  
32 LLC FOR APPROVAL OF FINANCING FOR AN  
33 8,000-GALLON HYDRO-PNEUMATIC TANK  
34

**W-04254A-12-0206**

35 IN THE MATTER OF THE RATE  
36 APPLICATION OF MONTEZUMA RIMROCK  
37 WATER COMPANY, LLC.  
38

**W-04254A-12-0207**

39 JOHN E. DOUGHERTY,  
40 COMPLAINANT,  
41 V.  
42 MONTEZUMA RIMROCK WATER  
43 COMPANY, LLC,  
44 RESPONDENT.  
45

**W-04254A-11-0323**

Arizona Corporation Commission

**DOCKETED**

JUN 17 2016

DOCKETED BY *MA*

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2 IN THE MATTER OF THE APPLICATION OF  
3 MONTEZUMA RIMROCK WATER  
4 COMPANY, LLC FOR APPROVAL OF A  
5 RATE INCREASE.

W-04254A-08-0361

6  
7 IN THE MATTER OF THE APPLICATION OF  
8 MONTEZUMA RIMROCK WATER  
9 COMPANY, LLC FOR APPROVAL OF A  
10 FINANCING APPLICATION

W-04254A-08-0362

11  
12 **INTERVENOR'S/COMPLAINANT'S**  
13 **RESPONSE TO APPLICANT'S REQUEST**  
14 **TO MODIFY DECISION NO. 74504**

15 **BY THE INTERVENOR/COMPLAINANT**

16  
17 Introduction

18  
19 Montezuma Rimrock Water Company, LLC is requesting two significant  
20 modifications of Decision No. 74504.

21  
22 Rather than seek financing from the Water Infrastructure Financing Authority  
23 (WIFA) to construct water storage tanks, the company wants approval to obtain  
24 financing from a private institution on its terms and prevailing interest rates.

25  
26 Second, MRWC wants to implement a surcharge prior to the ADEQ issuing the  
27 Approval to Construct (ATC) and Approval of Construction (AOC) permits in  
28 connection with the installation of a hydro-pneumatic tank.

29  
30 Response

- 31  
32 1. Complainant/Intervenor is opposed to MRWC's request to seek private  
33 financing.

34  
35 MRWC has not been able to obtain WIFA financing because of the  
36 Commission's pending criminal referral to the Attorney General as ordered in  
37 Decision No. 74504. (FOF 48, page 155)

38  
39 WIFA Executive Director Sandra Sutton notified MRWC in an Aug. 8, 2014  
40 letter that has been filed in this docket that MRWC's "application process will  
41 be on hold until the Attorney General's office completes its review." (Exhibit  
42 1)

43  
44 As of this date, the AG's review has not been completed.  
45

1 It is extremely unlikely that private financing will be at a cost equal to or less  
2 than financing from WIFA. Montezuma ratepayers should not be forced to  
3 pay higher costs for the water storage tanks because Montezuma is barred  
4 from WIFA financing due to the pending criminal referral.

5  
6 If the Commission elects to allow MRWC to seek private financing, all costs  
7 greater than WIFA financing should be borne by MRWC's owner, Ms. Patricia  
8 Olsen, personally.

9  
10 The Commission should also provide the private lender a copy of Decision  
11 No. 74504 and copies of the letters sent from the Commission to the AG  
12 concerning the criminal referral *prior* to MRWC entering into a financing  
13 agreement.

14  
15 2. Complainant/Intervenor is opposed to MRWC's request to collect a  
16 surcharge for the hydro-pneumatic tank before receiving ADEQ approvals  
17 and staff's confirmation of the purchase price of the tank.

18  
19 MRWC claims it doesn't have the funds to cover the permitting, engineering  
20 and installation costs for the tank. Ms. Olsen said during the June 14, 2016  
21 staff meeting that the surcharge may need to be in place for "one or two  
22 years" before the tank is actually installed. She also stated that the pressure  
23 tank would not be installed until after the storage tanks are in place.

24  
25 MRWC provided no evidence during the 2013 evidentiary hearing supporting  
26 or documenting the purchase price of the tank, whether it is currently  
27 functional and why Ms. Patricia Olsen's son, who is not a principle in the  
28 company, purchased the tank with presumably his own funds. The lack of  
29 documentation and unusual circumstances surrounding the purchase of the  
30 tank raise red flags.

31  
32 Furthermore, MRWC's argument that it lacks the funds to obtain the AOC and  
33 ATC from the ADEQ and county construction permits attest to the fact that  
34 this company is seriously undercapitalized. These are relatively minor  
35 operating costs that a Public Service Company should cover from its  
36 operating expenses and not through an additional surcharge on ratepayers.

37  
38 MRWC's proposal as it now stands creates the potential for a "slush" fund  
39 with no accounting for purposes not approved in Decision No. 74504. Ms.  
40 Olsen stated during the staff meeting the surcharge could be collected for one  
41 or two years *before* the tank is installed. This would allow MRWC to collect  
42 \$3,708 per year from ratepayers before the tank is even installed.

43  
44 Finally, contrary to Ms. Olsen's assertion during the staff meeting that the  
45 Company doesn't have the funds to install the tank, the Commission

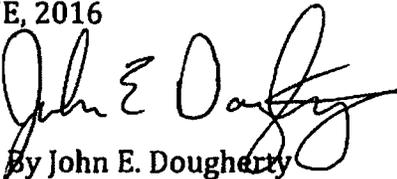
1 approved a surcharge to pay for the \$15,000 cost of the tank plus \$3,541 for  
2 installation. (FOF 21)

3  
4 The surcharge was to be applied for five years to repay the \$18,541 for the  
5 tank and the installation. (Staffs' Opening Brief, Aug. 30, 2013, Lines 21-22,  
6 Page 23, Lines 1-2, Page 24.) This is equal to \$309/month plus interest, if  
7 applicable.

8  
9 Under Decision No. 74504, the company cannot impose the surcharge until  
10 MRWC receives an ATC and AOC from ADEQ; staff determines the actual  
11 purchase price of the tank; and the company receives Commission approval  
12 for the surcharge amounts.

13  
14 All of these stipulations were put in place for good reasons and should  
15 remain in place.

16  
17 RESPECTFULLY SUBMITTED this 17<sup>th</sup> Day of JUNE, 2016

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By John E. Dougherty  
Complainant/Intervenor

24 An original and 13 copies of the foregoing was filed  
25 this 17<sup>th</sup> day of June, 2016, with:

26  
27 Docket Control  
28 Arizona Corporation Commission  
29 1200 West Washington Street  
30 Phoenix, Arizona 85007

31  
32 A copy of the foregoing was hand delivered/mailed/emailed  
33 this 17<sup>th</sup> Day of June, 2016 to:

34  
35 Sarah N. Harpring  
36 Administrative Law Judge  
37 Arizona Corporation Commission  
38 1200 W. Washington  
39 Phoenix, Arizona 85007

Thomas M. Broderick  
Utilities Division  
Arizona Corporation Commission  
1200 W. Washington  
Phoenix, Arizona 85007

40  
41 Wes Van Cleve/Charles Hains  
42 Legal Division  
43 Arizona Corporation Commission  
44 1200 W. Washington  
45 Phoenix, Arizona 85007

Patricia Olsen  
MRWC  
3031 E. Beaver Creek Rd.  
Rimrock, AZ 86335

JANICE K. BREWER  
Governor



SAP  
Ex

Water Infrastructure Finance Authority of Arizona

ORIGINAL

August 8, 2014

Patricia Olsen  
Montezuma Rimrock Water Company, LLC  
3031 E. Beaver Creek Rd.  
Rimrock, AZ 86335

Arizona Corporation Commission  
DOCKETED  
AUG 19 2014

DOCKETED BY

Dear Ms. Olsen,

It has come to my attention that the Arizona Corporation Commission has ordered a referral of Montezuma Rimrock Water Company and its owner to the Attorney General's Office regarding possible action under Arizona law. Montezuma Rimrock Water Company's application process will be on hold until the Attorney General's office completes its review.

Sincerely,

Sandra L. Sutton  
Executive Director

W-04254A-12-0205  
W-04254A-12-0206  
W-04254A-12-0207  
W-04254A-11-0323  
W-04254A-08-0361  
W-04254A-08-0362

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