

INSCRIPTION CANYON WATER COMPANY

June 29, 2023

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

Re: Inscription Canyon Water Company
Docket No. W-21093A-22-0296
Response to Recommended Opinion and Order

The Board of Directors for Inscription Canyon Water Company ("ICWC") docketed this letter for the record to reinforce our argument regarding the requested rate increase proposed by Staff and recommended in the Administrative Law Judge's Recommended Opinion and Order filed on June 12, 2023.

The ICWC application was filed using a rate consultant, but not an attorney. ICWC is a not-for-profit, member-owned corporation administered by a volunteer Board of Directors, which are elected by the utility customer-member/owners every fall. Through the rate case process, we attempted to support our request for a modest 12% increase to rates and apparently were unsuccessful. We have four major points that we will mention here in preparation for comment at the Open Meeting.

ICWC has less water to sell due to increased/increasing number of wells owned by other entities that draw from the aquifer in the immediate area. That, in addition to the fact that the new well that was installed last year has less capacity than the well it replaced, has caused the golf course to be rationed. While it may be true that residential customer counts are increasing, new residential homes using 200 gallons per day cannot make up for the loss of millions of gallons purchased by the golf course lake, which is much lower in cost to provide. After providing the additional information requested, the Commission is still claiming "absent specific evidence" about the decrease they will not consider our argument. Usage numbers have been provided that show the golf course lake uses less and we do not understand why this is not sufficient evidence. After all, they Company proposed the original adjustment to increase revenue based on a flawed assumption. The 2023 volume numbers support a 20% decrease in water sales to the golf course as was estimated in the pro forma.

Ongoing engineering costs are not "one time" since ICWC does not have the management expertise to design and oversee the important improvement projects necessary to keep the

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system reliable. Yet, actual costs for the test year have been “normalized”, which will impact the ability of ICWC to hire engineers and other contractors to assist with operations and planning.

Repair and maintenance costs will continue to increase as the system grows and ages, yet this cost category was reduced by “normalization” of costs.

Finally, ICWC’s rate consultant has been unable to prove that the rates recommended generate the metered water revenue proposed. The order does not include proof of revenue that supports the proposed amount of revenue, or \$721,636. Since other revenue is \$6,280, the rates should generate \$715,356 in revenue and they only generate \$704,862. With this amount of discrepancy, we cannot accept the Order as written since ICWC will not receive the revenue proposed by Staff and the Order.

We will be happy to discuss these issues at Open Meeting next month.

Sincerely,



Mr. Mark Armstrong
President, Board of Directors
Inscription Canyon Water Company