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May 31, 2005

Ms K Mayes
Arizona Corporation Commission
1200 West Washington
Phoenix AZ 85007

Dear Ms Mayes:

Questions arising from rate application from Bradshaw Management dated April 22, 2005 reference W-03263A-05-0330.

1. Why is the rate form being used for utilities with gross operating revenue of less than \$250,000, when Diamond Valley by the 2003 accounts shows revenue \$280,972 on the front cover?
2. Page 1 of submission shows a "Water Rate Check List" with no items checked. I would expect to see:
 - Plant shows an increase of \$22,000 but no copies attached of invoices for plant over \$150.
 - No invoices for purchased water which is stated to be \$115,534.
 - No invoices for purchased power which is stated to be \$12,043.
 - No invoices for repairs and maintenance over \$150 which is stated to be \$35,068.
 - No invoices for services over \$150 which is stated to be \$75,895.
3. Page 2 demands notification be given to the customer base and a notarized statement of compliance be attached to the submission. Since I for one have not had notification how can an application be even considered by the ACC.
4. Page 3 Where is the Prescott Valley letter giving notice of the increase and the increases?
5. What losses are being made for each hook up by Bradshaw over and above the Prescott Valley charge?
6. What construction? Where is the Yavapai County letter and what is the cost for the work?
7. Page 9. As per Kevin's comment we had a flat rate last time and the cost from Prescott Valley is understood to be a flat rate, so why a tiered rate now!
8. Page 9 there is a comment marked as "***" at the bottom of the page, but to what does it refer?
9. Page 11 Define what "Permitted Cost" is.

10. Page 11 To introduce such a late fee now then please define how many weeks of grace shall be given from receipt of the bill for payment to be made before such late fee is imposed. It has been known for the water bill to arrive only days before it is claimed to be due!
11. Page 12 and 13. What happened to year 2003! The prior years are given as 2001 and 2002, with the Test Year being 2004.
12. Page 12. The prior decision goes back to 1992, decision 57939 effective July 1 1992. Since this was some 13 years ago, how can any assets claimed in that case have any value now! Apart from new assets, i.e. those added over the past 7 maximum years there should be NO residual value in the 2004 year end accounts.
13. Page 12 Pumping equipment shows a \$10,938 increase, where are the invoices? The 2003 accounts published by Bradshaw in April 2004 show this figure to be \$25,961 with a depreciation of \$1298.
14. Page 15. Most of the equipment was inherited by Bradshaw, and from the statement about it being over 40 years old, see page 3, how can it still have any value on the books?
15. Page 18 This shows that the meter count is not consistent so how does Bradshaw account for the meter losses with Prescott Valley? We have to pay for new meters, so we must be able to take credit for lost meters.
16. Page 19. Bradshaw submitted accounts for 2003, which is the prior year to the Test Year so:
 - Metered water revenue is stated as being \$257,103, whereas the accounts figure is \$273,340.
 - Unmetered Water revenue stated to be \$3,000, whereas accounts show \$0. What is the \$3,000 for if it is a valid line item.
 - Other water revenues stated as \$4,022, whereas accounts show \$7,632!
 - The Total Operating Revenue is stated as \$264,125, whereas the accounts show \$280,972!
 - Purchased Water stated as \$110,793, accounts show \$115,534.
 - Office supplies stated as \$699, accounts show \$1,350.
 - Depreciation Expense shown as \$7,576, whereas accounts show \$5,250.
16. Page 20. Again I see discrepancies between the figures on this page and the accounts for last year lodged with you.
 - A variety of depreciation rates are used in this table, whereas the 2003 all show 5%!
 - Structures and Improvements have no value in the 2003 accounts but have value in the submission!
 - Distribution Reservoirs and Standpipes are depreciated but have no value in the 2003 accounts!
 - Depreciation for 2003, I have not seen the accounts for 2004 yet, shows \$5,205. Much less that the figure \$8,369 in the application.
17. Page 22 shows a figure for notes payable of \$6,619 for the beginning of the Test Year. The 2003 accounts show nothing in this column. The accounts are reasonable to accept since we get all water from Prescott Valley.
18. Page 22 Where does the figure for Notes Payable for 2004 come from? See 17.
19. Page 22 The total current liabilities for the beginning of the Test Year are stated to be \$189,737, whereas the accounts for 2003 show \$205,783.

20. Page 22 Retained earnings are stated to be (\$6,126) at the start of the year, whereas the 2003 accounts show a figure of (\$115,258)
21. Page 22 Total liabilities and Capital \$214,111, whereas the accounts for 2003 show \$106,998.
22. The water losses shown after page 26 show an appalling waste of water. Kevin notes 22% on average, up from 15% in 2003. Since the State says water wastage should not exceed 10% what plans are being put in place to bring the system into code compliance!

I understand from the statements that you made in the offices of Yavapai County last Friday that an emergency rate case has already been approved for part of this submission.

I feel there have been major violations of the ACC rules for notification of rate increases to the Users already and the case as presented has such differences in the figures that they may provide a case of fraud on the part of the persons responsible for presenting this case.

Since there is such a discrepancy in the figures you may feel it necessary to have a firm of auditors verify what are true records before evaluating a rate case.

Since I have not received an answer to my letter dated March 15, 2005 to Steve Olaya copy to you, or my reminder dated April 21, 2005 handed to you at our meeting in the Yavapai Offices on April 22, 2005 I will give you 7 days from the date of this letter to have a positive action plan in my hands to resolve this issue.

Sincerely,



Philip Tucker