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Peter Hamilton Ward  
† Peter Hay Ward — Of Counsel  
Admitted FL & GA

**Ward & Ward**  
Attorneys and Counsellors at Law  
4001 Newberry Road, Suite C-1  
Gainesville, Florida 32607-2387

Voice (352) 377-4761  
Facsimile: (352) 373-1191  
email: wardward@bellsouth.net  
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Attachment A  
Docket Nos. 05A-333W & 05S-396W  
Decision No. R06-0851-1  
Page 1 of 2

Hamilton Ward (1829-1898)  
Hamilton Ward, Jr. (1871-1932)  
Hamilton Ward, III (1905-1981)  
John C. Ward (1906-1970)  
Peter Ward (1914-2006)

Public Utilities Commission  
1580 Logan Street  
Denver, CO 80203

**Re: Objection to Proposed Settlement Agreement, Dallas Creek Water Co & Staff,  
Colorado Public Utilities Commission; Consolidated DocNos. 05A-333W and 05S-396W**

Dear Commissioners:

By inheritance from Lt. Gen. and Mrs. John H. Hay, the undersigned as trustee, owns the property known as 742 Pine Drive, LogHill Village, Ridgway, CO. The decedents and the undersigned have been customers of Dallas Creek Water Company, Inc. [DCWC] for well over two decades.

**Objection to inadequate notice.** "Notice" by card from James A. Willey, President, DCWC showing "notice date" of **June 28, 2005** [sic], with private postmark reflecting Montrose mailing [no date entered] with *actual* delivery *only two business* days prior to the "noticed" meeting deprived the undersigned of the opportunity to prepare/appear at the "noticed" Montrose hearing.

- Within the last paragraph of that card, Mr. Willey describes that a customer using 3,221 gallons would have its water rate increase from \$24.16 "to \$99.71 per month", Mr. Willey's card then arrives at that number allegedly by adding: *base-service charge (\$44.52) plus month-meter-in-service charge (\$29.53) plus water-usage-rate (\$8.02 per 1,000 gallons)*. Of course, those numbers do not add to his recited total.

**Are the described notice failures to "pay attention to details" suggestive of other inaccurate or incomplete accounting(s) and documentation provided the commission by the applicant, DCWC?**

**From where I sit, deprivation of my clearly computable notice rights, coupled with other inaccuracies in a mere *card*, suggests a sense of casualness as to the public's rights and accounting matters which only an appropriate audit of that company (and DCWC-contract-related entities controlled by Mr. Willey including JKC Utilities and Pines Development Group) will correct.**

- Walter McLallen at the public comment hearing is reported by the Ridgway Sun as noting the DCWC rate increase request balance sheets, to 1/100 of a percent, show three components [Plant Operation and Maintenance, Mortgage and Depreciation, and Administration and Overhead] neatly being precisely 40%, 25%, and 35% of total expenses, respectively. Actuarially improbable.
- Others have identified that their research showed 200 "taps" (@\$7,000) *outstanding*...an apparent \$1.4 million...which, if collected, appears to pay the entire requested rate increase.

**In a time of very modest inflation, decreased office/computer related costs nationwide, and without apparent increase in "arms length" product and delivery costs, the DCWC rate structure *presently deemed sufficient* incredibly is one-quarter of that proposed to be appropriate for 2006.**

- At hearing, others apparently noted that DCWC *requested* rates *twice* its 2005 numbers, but was rewarded — without comment — with a settlement rate *four times* the 2005 numbers.

- Others noted excessive claimed rental cost and staffing costs.
- Monthly reading of water meters in an area with very little property turnover seems "gold plating" ... quarterly meter reading is more appropriate in this community situation and would contribute to reducing staff overpricing.

I appreciate that those owning/operating a public utility are entitled to a *reasonable* return on their investment *relevant* to that public utility, subject to such other public policy constraints as case law affords the public.

- **Public policy is a nationally recognized rate-setting constraint.** For example, when Florida property insurers sought to stop writing coverage on coastal properties, or alternatively to increase premiums nearly 100% following substantial hurricane losses in 2005, Florida regulators, citing public policy, acted to ameliorate the catastrophic impact of such proposed actions upon that public.
- **One index of reasonable return on investment is adjusting a previously deemed-reasonable rate for *demonstrable, relevant* projected increases in costs.** Of course, any increase in salvage values *diminishes* the rate pursuant to regulations.

*If* Mr. Willey's corporation has been providing water service *without* violation of imposed standards within the currently approved rate structure, and requested modification(s) of service are *not* related to the public purposes of providing that water service to those same imposed standards, what justification for this rate increase exists? **Is it appropriate in a public utility rate setting process to accept unaudited values between commonly controlled entities?**

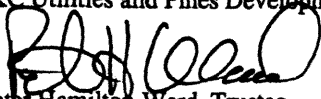
However, *if* Mr. Willey's corporation has *not* been providing water service without violation of imposed standards, the purchase and installation of *directly related curative equipment* at cost-plus (or other approved regulated method) *less* salvage values seems appropriate. Has that been the case argued and shown?

- Another index of reasonable return on investment is cost-less-salvage-recovery-plus-appropriate-rate-of-return-on-required-relevant-investment.

But when an owner, voluntarily *reconfigures* asset ownership while apparently *retaining* asset control, how are regulators to approach "self booked, unaudited data"? Self-reported valuations which result in a rate structure four times this year's rate suggests the need for an independent audit *prior* to rate approval. Self-reported ransactions (where the same party effectively is "buyer" and "seller"), absent comprehensive, independent audit, deprives the commission and the public of credible data from which to correctly set rates. Trust (but verify).

- The public is not the insurer of a privately owned public utility. Neither past nor current management negligence, if occurring, is part of rate structure approval computations. If occurring, improvident contract(s), below-market asset sale or above-market asset purchase, or other mismanagement are not compensable by rate increase.

**NO EMERGENCY RATE HAVING BEEN REQUESTED, PRIOR TO APPROVAL OF ANY INCREASE, THE UNDERSIGNED REQUESTS THAT A COMPREHENSIVE, INDEPENDENT AUDIT** of Dallas Creek Water Company and all contract-related entities controlled by Mr. Willey, including JKC Utilities and Pines Development Group be conducted/required as a part of that rate setting process.

  
Peter Hamilton Ward, Trustee