



## COUNTY ADMINISTRATOR'S OFFICE

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C.H. HUCKELBERRY  
County Administrator

May 15, 2019

Arizona Corporation Commission  
Utilities Division  
1200 W. Washington Street  
Phoenix, Arizona 85007

*(Delivered via E-Docket)*

Re: **Response to the Ajo Improvement Company Rate Case: Docket – WS-01025A-17-0361; Docket – E-01025A-17-0362; Docket – WS-01025A-17-0363**

Dear Chairman Burns and Commissioners:

A fair resolution of the Ajo Improvement Company (AIC) rate case adjustment for various utilities serving Ajo requires the Commission to look behind the curtain to see who is really running the Ajo Improvement Company. Clearly, Freeport-McMoRan, as the parent company, is in control. They have made significant capital investments in the public utilities of the AIC without prior Commission approval nor did they have any plan to recover these expenses when they were made. Therefore, these expenses should be disallowed and the rate increases adjusted downward accordingly.

Freeport-McMoRan's successor, the Phelps-Dodge Corporation operated a traditional mining town by providing all of the necessities for company employees, including public utilities now operated by the AIC. The depreciation and deterioration of their public utilities took place over past decades resulting in the need to replace substantial portions of the infrastructure. Some of this was due to their utility system reaching the end of their useful life, but it was also due to AIC's poor management. Hence, those capital investments in replacing the deteriorated mining company's infrastructure should not be borne by future AIC customers and ratepayers.

Going forward, it is appropriate to charge new capital investment depreciation in the rate base. However, it is to Freeport McMoRan's benefit to maintain sufficient utility infrastructure to support a mining company town should economic conditions warrant re-

Chairman Burns and Commissioners

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opening of the mine or the sale to another party. Forcing ratepayers to cover this cost is inappropriate.

For the record, enclosed is a Resolution where the Pima County Board of Supervisors unanimously opposes the proposed AIC rate increase.

Sincerely,



C.H. Huckelberry  
County Administrator

CHH/anc

Enclosure

c: The Honorable Chairman and Members, Pima County Board of Supervisors  
Chuck Wesselhoft, Deputy County Attorney  
Diana Durazo, Special Projects Manager, Pima County Administrator's Office

RESOLUTION NO. 2019- 30

A RESOLUTION OF THE PIMA COUNTY BOARD OF SUPERVISORS OPPOSING THE AJO IMPROVEMENT COMPANY'S APPLICATION FILINGS TO THE ARIZONA CORPORATION COMMISSION FOR RATE INCREASES IN THEIR WASTEWATER, ELECTRIC AND WATER DIVISIONS.

WHEREAS, in December 2017, the Ajo Improvement Company (AIC) filed applications with the Arizona Corporation Commission (ACC) for significant rate increases in their water, wastewater and electric divisions; and

WHEREAS, the residents of the former mining community of Ajo are primarily retirees on fixed incomes and low-income families; and

WHEREAS, the proposed AIC rate hikes will be in the range of 120 to 360 percent above current rates the Ajo community pays; and

WHEREAS, Pima County was granted intervenor status in this rate case as the County will also be impacted through the County's courthouse, Sheriff substation, and transportation facilities maintained in Ajo; and

WHEREAS, without seeking ACC approval, AIC spent millions in the last 10 years making major repairs and improvements to its facilities it had neglected for years prior; and

WHEREAS, timely rate increases were not pursued by AIC to pay for these repairs and improvements; and

WHEREAS, AIC now expects repayment of costs that were incurred without prior ACC approval or oversight as to how and when the money was spent; and

WHEREAS, AIC customers should not have to bear the burden of AIC's years of mismanagement and neglect of assets; and

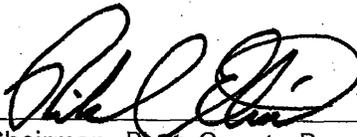
WHEREAS, ACC Staff reviewed AIC's proposal and recommended a slightly lower percent of operating margin, which would still yield rate hikes between 100 to 350 percent for customers; and

WHEREAS, the Administrative Law Judge reviewed both AIC's proposal and ACC Staff's proposal, but whose recommendation did not address concerns and facts submitted by intervenors in this case and did nothing to mitigate the proposed rate hikes.

NOW, THEREFORE, BE IT RESOLVED that the Pima County Board of Supervisors:

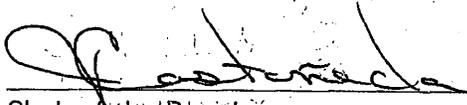
1. Opposes the rate increases proposed by the AIC, ACC Staff and the Administrative Law Judge's proposed rate increases.
2. Requests that the ACC require AIC to work with the community and impacted parties to formulate a reasonable rate structure and phase-in period.

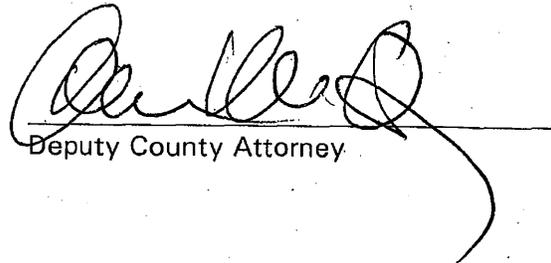
Passed by the Board of Supervisors of Pima County, this 7 day of May, 2019.

  
MAY 07 2019  
Chairman, Pima County Board of Supervisors

ATTEST:

APPROVED AS TO FORM:

  
Clerk of the Board

  
Deputy County Attorney