

1988

THE GRIT - E X T R A

February 1988

INTERVENTION!

The Sandia Heights Utility Corporation proposed water rate increase and the justifications presented in their January 5, 1988 meeting were not well received by an overwhelming majority of homeowners present at that meeting.

At the Sandia Heights Homeowners Association meeting on January 6, 1988 these same homeowners, without a single dissent, petitioned your Homeowners Association to intervene on their behalf against the proposed rate increase, citing a multitude of reasons. In addition they have requested SHHA to allocate the necessary funds to conduct a competent intervention, utilizing expert legal and technical professionals to analyze the pending rate case for the purpose of showing cause for rejection or mitigation of the proposed rate structure.

Your SHHA has reacted on an immediate basis to this petition.

WHY IS INTERVENTION IN THE RATE CASE NECESSARY?

The Sandia Peak Utility Company is an investor-owned utility, and as such, is entitled to a fair rate of return on investment for water services. The investors are the Sandia Peak Tram Company, Sandia Peak Ski Company and Alvarado Realty Company and their principals.

Since the last rate increase granted in 1981 utilizing the test year of 1979, revenues have grown from \$104,992 with expenses of \$104,437, gallons pumped 74,692,564 and 612 customers to the test year of 1986 with revenues of \$413,311 with expenses of \$416,690, gallons pumped 162,094,000 and customers totaled 1243 at year end 1986. The Utility Company claims that in spite of this dramatic growth and a 89% rate increase in 1981, that an additional \$134,266 in revenues to a total of \$584,920 will be required to insure an adequate rate of return of 8.45% as adjusted for the year 1986. The Company further stated that from the inception of their last 89% rate increase in 1981, that with the exception of one year, the water company has operated at a loss, and that their stockholders have in essence been subsidizing through this time period the water company, which henceforth is expected to operate as a separate entity receiving an adequate rate of return on investment.

It should be noted from the financial data set forth above, that should their proposed rate increase be accepted as submitted to the regulatory commission, that the cost per gallon of water delivered will have increased 123% from 1979 — 1986 in spite of significantly increased customer participation and water usage demand.

In addition the Utility Company has indicated, through their expert witness and company officials, that the requested increase is "modest and that it is not good rate making practice to make radical shifts in rate design." In other words, as costs increase as projected, further rate increases to maintain an acceptable rate of return should be anticipated.

Although significant differences exist in the cost of delivering water services between the City of Albuquerque and the Sandia Peak Utility Company, a utilization of water bills for the test year of 1986 and the incorporation of the proposed rate increase for an average usage of 8229 gallons indicates that our water company billing would be 198% higher. For those customers utilizing over 9000 gallons the percentage would be significantly increased.

It should also be noted that events occurring since the test year 1986 involving additional revenues and costs, as well as the tax consequences of the 1987 tax reform act will of necessity not be included in this proposed rate case.

It is through an analysis of this data, coupled with information provided through the Homeowners meetings, that we hope you have come to the conclusion that intervention and a complete audit of the Sandia Peak Utility Company operations is in order, and that you are willing to provide the necessary financial support to carry this project forward.

Your Sandia Heights Homeowners Association in anticipation of your total support, has on January 13, 1988 approved the homeowners' petition for intervention as submitted and voted for action by the Board on behalf of the entire community as well as a number of individual intervenors.

An intervention committee was established consisting of both board members and individual intervenors to carry forward this endeavor. This project has received initial funding by the SHHA Board.

The Law Firm of Hatch, Butler, Allen and Shepherd has been retained. Motions to intervene have been filed by Mr. Hatch on behalf of the Homeowners Association and a number of individual intervenors as required by the Public Service Commission.

Over the near term the issues involved are being examined. These issues include, but are not limited to, the magnitude of the rate increase as it relates to cost items and rate base, subcontracting relationships between the water company and affiliate enterprises, possible conflict of interest relationships, electrical usages, quality of service, etc.

Obviously the success of this intervention is extremely important to each of us individually and as a community. It is through our concerted efforts as a group and our representation by the Homeowners Association that we will be able to influence with any degree of success both proposed and future rate and service changes.

It is important that we set the proper community "tone" for the myriad of services that are provided on a continual basis by entities of the Sandia Peak Tram Company.

Due to the expense of providing this "tone" and the expert intervention required for this water case, additional funding over and above the SHHA Board allocations will be necessary to carry this project to a successful conclusion.

For this reason we would appreciate a vote of confidence and your support through a voluntary contribution on an immediate basis of \$30.00 per member/family to establish a legal and accounting escrow to support the intervention action. It is anticipated that this funding action should be completed by 19 February 1988. These contributed funds will be committed after we have exhausted all SHHA allocated funds in the intervention procedure.

In the event that it is not necessary to utilize your contributions, all funds will be refunded to the extent not utilized. Again, your financial support is critically needed at this time.

Remember, in the absence of a successfully funded intervention, the proposed rate increase by the Utility Company could add a minimum of \$134,266 per year to the community water bill. In addition, the Utility Company could be left with the concept that we will be easy to deal with in regard to future service rate increases.

Please send your contributions to:

SANDIA HEIGHTS HOMEOWNERS ASSOCIATION  
P.O. Box 20021  
Albuquerque, NM 87154-0021

If you have further questions concerning this matter please contact the Intervention Committee or your SHHA Board member. It is also requested that you contact your Sandia Heights friends and neighbors and seek their support of this undertaking.

Thank you for your assistance in this matter.

We need your vote of confidence and financial assistance.

Your Intervention Committee  
and SHHA Board of Directors

Intervention Committee:

Leonard DeLue	294-4451	(Vice President, SHHA)
Charles Dykeman	291-8484	
Bill Stabler	298-8525	
Sara Warford	293-4367	(Treasurer, SHHA)
John Warner	296-7554	

STATE OF NEW MEXICO  
COUNTY OF SANTA FE  
NOTARY PUBLIC  
JAN 15 1988

**Sandia Heights Homeowners Association**



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P.O. Box 20021  
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ALBUQUERQUE, NM 87122

**IMPORTANT WATER  
RATE INFORMATION**