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OPEN MEETING AGENDA ITEM



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BEFORE THE ARIZONA CORPORATION COMMISSION

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2007 JAN -4 P 5:31

Arizona Corporation Commission

COMMISSIONERS

DOCKETED

JEFF HATCH-MILLER, Chairman
MARK SPITZER
WILLIAM A. MUNDELL
MIKE GLEASON
KRISTIN K. MAYES

AZ CORP COMMISSION
DOCUMENT CONTROL

JAN 04 2007

DOCKETED BY

IN THE MATTER OF THE APPLICATION
OF GREEN ACRES WATER, L.L.C. FOR
APPROVAL OF A CERTIFICATE OF
CONVENIENCE AND NECESSITY,

DOCKET NO. W-20430A-05-0839

IN THE MATTER OF THE APPLICATION
OF GREEN ACRES SEWER, L.L.C. FOR
APPROVAL OF A CERTIFICATE OF
CONVENIENCE AND NECESSITY

DOCKET NO. SW-20431A-05-0840

EXCEPTIONS TO OPINION

Green Acres Water, L.L.C. and Green Acres Sewer, L.L.C. (collectively "Applicants")
hereby submit their Exceptions to the Opinion and Order of the Administrative Law Judge filed
on December 26, 2006.

Conclusion 7 of the Opinion would require the Applicants to each post a performance
bond in the amount of \$500,000 prior to serving their first water or wastewater customer.
Findings of Fact 48 states "Additionally, we believe since there is no evidence on record which
reveals that either of the Applicants has any prior experience in successfully operating a public
utility, a performance bond for each utility in the amount of \$500,000 should ensure that the
Applicants will be able to continue operations for a reasonable period without a related entity's
financial support, if necessary."

The Applicants have agreed to post a performance bond. However, we believe that based
upon Mr. Steve Robson's (the principal owner of the Applicants) history of involvement with
successful public utilities, the bond amount is excessive. Mr. Robson has an interest in Lago Del

1 Oro Water Company, Pima Utility Company, Quail Creek Water Company Ridgeview Utility
2 Company, and Saddlebrook Utility Company.

3 Further, in the projected statements of income for the Applicants, filed with the
4 Commission on February 7, 2006 as exhibits to the Applicants' Insufficiency Letter Responses
5 and attached here as Exhibit A, the operating expenses for Green Acres Sewer, LLC are
6 projected to be \$319,357 during the first year of operation and the operating expenses for Green
7 Acres Water, LLC are projected to be \$397,102 during the first year of operation. With
8 projected revenues, the Applicants will only be operating at a loss during the first year. Even if
9 revenues for the Applicants are less than anticipated, fewer customers will also lower the
10 operating expenses. Therefore, the Applicants believe that a bond of \$300,000 for Green Acres
11 Water, LLC and a bond of \$400,000 for Green Acres Sewer, LLC will provide sufficient
12 financial assurance of continued operations and respectfully request that the Order be revised
13 accordingly.

14
15 RESPECTFULLY SUBMITTED this 4th day of January, 2007.

16 TIFFANY & BOSCO, P.A.

17
18 By: Beth A. Heath
19 Beth A. Heath
20 Tiffany & Bosco, P.A.
21 Third Floor Camelback Esplanade II
22 2525 East Camelback Road
23 Phoenix, Arizona 85016-4237

21 Original and thirteen (13) copies
22 of the foregoing were filed this
23 4th day of January, 2007 with:
24 Docket Control
25 Arizona Corporation Commission
26 1200 West Washington Street
Phoenix, Arizona 85007

1 Copies were mailed this
2 4th day of January, 2007:

3 Mr. Christopher C. Kempley
4 Chief, Legal Division
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007

8 Mr. Ernest G. Johnson
9 Director, Utilities Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007

13 Ms. Lyn Farmer
14 Chief, Hearing Division
15 Arizona Corporation Commission
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18 Town Manager
19 Town of Buckeye
20 100 E. Apache
21 Buckeye, Arizona 85326

22 Mr. Michael Hallam
23 Lewis and Roca
24 40 North Central Avenue
25 Phoenix, Arizona 85004
26

Green Acres Sewer Company
 Projected Statements of Income
 For the 12 Months Ended

Exhibit
 Schedule 2
 Page 1
 Witness: Kozoman
 Revised

Line No.		Year	Year	Year	Year	Year
		1	2	3	4	5
3	Total estimated Revenues	\$ 146,461	\$ 558,083	\$ 1,182,079	\$ 1,893,209	\$ 2,600,864
4	Expenses					
5	Pumping Power - All	\$ 11,502	\$ 43,863	\$ 93,649	\$ 150,102	\$ 206,089
6	Wages. Plus Inflation + \$25000 per year	100,000	128,000	156,840	186,545	217,142
7	Payroll Burden at 33% of Wages	33,000	42,240	51,757	61,560	71,657
8	Permits (Not Capitalized to Plant)	5,000	5,000	5,000	5,000	5,000
9	Licenses (Not Capitalized to Plant)	2,000	2,060	2,122	2,185	2,251
10	Engineering (Not Capitalized to Plant)	2,000	2,060	2,122	2,185	2,251
11	Chemicals	6,000	9,000	12,000	15,000	18,000
12	Supplies	4,000	5,000	6,000	7,000	8,000
13	Repairs	2,000	6,000	10,000	14,000	18,000
14	Insurance (b)	4,000	4,120	4,244	4,371	4,502
15	Office Expense	1,000	3,000	5,000	7,000	9,000
16	Billing, Postage, Operations (a)(b)	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00	\$ 3.00
17	Contract Labor	9,018	34,326	72,324	115,722	159,102
18	Rentals	2,000	2,060	2,122	2,185	2,251
19	Administrative Services	3,000	3,090	3,183	3,278	3,377
20	Solids Handling	40,000	41,200	42,436	43,709	45,020
21	Rentals	3,000	6,180	9,455	12,829	16,304
22	Recharge Site Maintenance	3,000	3,090	3,183	3,278	3,377
23	Depreciation net of Amortization of CIAC from schedules 1a and 1e					
24	Vehicles (b)	60,738	136,643	321,934	537,332	800,000
25	Legal & Accounting (b)	3,500	3,605	3,713	3,825	3,939
26	Miscellaneous Expenses (b) (e)	10,000	10,300	10,609	10,927	11,255
27	Testing (d)	2,505	7,030	13,060	19,085	25,110
28	Income Taxes	4,000	4,120	4,244	4,371	4,502
29	Property Taxes (f)	25	25	25	25	25
30		8,070	16,073	35,643	67,647	103,635
31	Total Operating Expenses					
32	Operating income (loss)	\$ 319,357	\$ 518,085	\$ 870,663	\$ 1,297,163	\$ 1,544,522
33	Less:					
34	Interest (Expense) Income on Work. Cap. (c)					
35	Interest Expense Long-term Debt (c)	\$ (172,897)	\$ 39,998	\$ 311,416	\$ 596,046	\$ 1,056,342
36	Net Income					
37	Organized as an LLC, Non-Taxable. \$25.00 is for information return fee. \$50.00 For Combined Utility.					
38	(a) Per customer per month					
39	(b) Annual Inflation rate of:					
40	(c) If Applicable, Interest Earned					
41	(d) Based on Testing Cost of \$5.00 Per Year Per Customer					
42	(e) Miscellaneous Expenses of \$200 per month					
43	(f) See Property Tax Calculation					

38 (a) Per customer per month

39 (b) Annual Inflation rate of: 3.00%

40 (c) If Applicable, Interest Earned 3.00%

41 (d) Based on Testing Cost of \$5.00 Per Year Per Customer

42 (e) Miscellaneous Expenses of \$200 per month

43 (f) See Property Tax Calculation

Green Acres Water Company
Projected Statements of Income
For the 12 Months Ended

Exhibit
 Schedule 2
 Page 1
 Witness: Kozoman
 Revised

Line No.		1	2	3	4	5
3	Total estimated Revenues	\$ 318,750	\$ 1,156,214	\$ 2,279,038	\$ 3,453,492	\$ 4,617,820
4	Expenses					
5	Pumping Power - All	49,140	187,562	377,948	578,162	776,382
6	Wages, Plus Inflation + \$25,000 per year	100,000	128,000	156,840	186,545	217,142
7	Payroll Burden at 33% of Wages	33,000	42,240	51,757	61,560	71,657
8	Permits (Not Capitalized to Plant)	5,000	5,000	5,000	5,000	5,000
9	Licenses (Not Capitalized to Plant)	2,000	2,060	2,122	2,185	2,251
10	Engineering (Not Capitalized to Plant)	2,000	2,060	2,122	2,185	2,251
11	Chemicals & Water Treatment at	3,000	6,000	9,000	12,000	15,000
12	Supplies	4,000	5,000	6,000	7,000	8,000
13	Repairs	2,000	6,000	9,000	12,000	15,000
14	Insurance (b)	4,000	4,120	4,244	4,371	4,502
15	Office Expense	1,000	3,000	5,000	7,000	9,000
16	Billing, Postage, Operations (a)(b) Done & Charged to Wastewater Utility					
17	(Billing charged at Wastewater Utility)					
18	Contract Labor					
19	Administrative Services	5,000	5,650	6,320	7,009	7,719
20	Rentals	40,000	41,200	42,436	43,709	45,020
21	Depreciation net of Amortization of CIAC (From Schedules 1a to 1e)	3,000	3,090	3,183	3,278	3,377
22	Vehicles (b)	105,185	259,669	399,056	671,940	944,857
23	Legal & Accounting (b)	3,500	3,605	3,713	3,825	3,939
24	Miscellaneous Expenses (b) (e)	12,000	12,360	12,731	13,113	13,506
25	Testing (d)	2,400	2,472	2,546	2,623	2,701
26	Income Taxes	2,500	7,025	12,055	17,080	22,105
27	Property Taxes (f)	25	25	25	25	25
28		18,352	33,727	69,760	125,652	184,832
29	Total Expense	\$ 397,102	\$ 759,865	\$ 1,180,856	\$ 1,766,261	\$ 2,354,267
30						
31	Operating income (loss)	\$ (78,352)	\$ 396,349	\$ 1,098,182	\$ 1,687,231	\$ 2,263,553
32	Less:					
33	Interest (Expense) Income on Cash Balance (c)					
34	Interest Expense Long-term Debt (c)	34,050	69,013	80,222	46,721	35,625
35	Net Income	\$ (44,302)	\$ 465,362	\$ 1,178,403	\$ 1,733,952	\$ 2,299,178
36	Organized as an LLC, Non-Taxable. \$25.00 is for information return fee. \$50.00 For Combined Utility.					
37	(a) Per customer per month					
38	(b) Annual Inflation of:					
39	(c) If Applicable, Interest Earned on Cash					
40	(d) Based on Testing Cost of \$5.00 Per Year Per Customer					
41	(e) Miscellaneous Expenses of \$200 per month					
42	(f) See Property Tax Calculation					

3.00%
 3.00%