

JIM IRVIN
COMMISSIONER - CHAIRMAN
RENZ D. JENNINGS
COMMISSIONER
CARL J. KUNASEK
COMMISSIONER



ARIZONA CORPORA



0000157030

JACK ROSE
EXECUTIVE SECRETARY

DATE: MARCH 17, 1998
DOCKET NO: SW-03437A-97-0498
TO ALL PARTIES:

Enclosed please find the recommendation of Hearing Officer Marc Stern. The recommendation has been filed in the form of an Opinion and Order on:

VERDE SANTA FE WASTEWATER COMPANY, INC.
(CC&N)

Pursuant to A.A.C. R14-3-110(B), you may file exceptions to the recommendation of the Hearing Officer by filing an original and ten (10) copies of the exceptions with the Commission's Docket Control at the address listed below by 4:00 p.m. on or before:

MARCH 26, 1998

The enclosed is NOT an order of the Commission, but a recommendation of the Hearing Officer to the Commissioners. Consideration of this matter has tentatively been scheduled for the Commission's Working Session and Open Meeting to be held on:

APRIL 6, 1998 and APRIL 7, 1998

For more information, you may contact Docket Control at (602)542-3477 or the Hearing Division at (602)542-4250.


JACK ROSE
EXECUTIVE SECRETARY

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 JIM IRVIN
3 COMMISSIONER - CHAIRMAN
4 RENZ D. JENNINGS
5 COMMISSIONER
6 CARL J. KUNASEK
7 COMMISSIONER

8 IN THE MATTER OF THE APPLICATION)
9 OF VERDE SANTA FE WASTEWATER)
10 COMPANY, INC., FOR A CERTIFICATE)
11 OF CONVENIENCE AND NECESSITY TO)
12 PROVIDE WASTEWATER SERVICE IN)
13 YAVAPAI COUNTY, ARIZONA.)

DOCKET NO. SW-03437A-97-0498

14 DECISION NO. _____

15 **OPINION AND ORDER**

16 DATE OF HEARING: February 12, 1998
17 PLACE OF HEARING: Phoenix, Arizona
18 PRESIDING OFFICER: Marc E. Stern
19 APPEARANCES: Mr. Joshua J. Meyer, Esq., on behalf of Verde Santa Fe
20 Wastewater Company, Inc.; and
21 Mr. Christopher C. Kempley, Assistant Chief Counsel,
22 Legal Division, on behalf of the Utilities Division of the
23 Arizona Corporation Commission.

24 **BY THE COMMISSION:**

25 On September 11, 1997, the Verde Santa Fe Wastewater Company, Inc. ("Company" or
26 "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for
27 approval of a Certificate of Convenience and Necessity ("Certificate") to provide wastewater service
28 in various parts of Yavapai County, Arizona.

On January 2, 1998, the Commission's Utilities Division ("Staff") filed its Staff Report in this
matter.

On January 7, 1998, the Commission issued a Procedural Order setting the matter for hearing.

On January 21, 1998, pursuant to the Commission's Procedural Order, notice was given of the
application and hearing.

On February 12, 1998, a full public hearing was held before a duly authorized Hearing Officer
of the Commission at its offices in Phoenix, Arizona. Applicant and Staff appeared with counsel and
presented evidence. At the conclusion of the hearing, the matter was taken under advisement pending

1 submission of a Recommended Opinion and Order to the Commission.

2 * * * * *

3 Having considered the entire record herein and being fully advised in the premises, the
4 Commission finds, concludes, and orders that:

5 **FINDINGS OF FACT**

6 1. The Company is an Arizona corporation which, upon the issuance of a Certificate, intends
7 to provide public wastewater service to a master-planned community being developed near the Town of
8 Cottonwood, Yavapai County, Arizona, which is described in Exhibit A, attached hereto and incorporated
9 herein by reference.

10 2. On September 11, 1997, the Applicant filed an application for a Certificate in order to
11 provide wastewater service in the area described in Exhibit A.

12 3. There are no other providers of wastewater service in the area sought to certificated herein.

13 4. On January 2, 1998, Staff filed its Staff Report which recommended approval of the
14 application.

15 5. Applicant plans to serve a community being developed by Verde Santa Fe South Partners
16 L.L.C. ("Developer") and expects to be serving approximately 420 residential customers by the end of
17 its fifth year of operations.

18 6. On March 19, 1997, the Commission issued Decision No. 60115 in which it approved a
19 Certificate for Verde Santa Fe Water Company, L.L.C. ("VSFWC") to provide water service to the
20 master-planned development known as Verde Santa Fe.

21 7. The Company is not affiliated with either VSFWC or the Developer.

22 8. The Company is requesting that the Commission approve an initial flat rate of \$40 per
23 month for monthly service. In the future, the Company may seek Commission approval for a rate which
24 is based upon an individual customer's water usage.

25 9. Under the terms of the Sewer Service Agreement ("Agreement") between the Company
26 and the Developer, the Applicant is prohibited from utilizing debt to finance the sewage treatment
27 facilities. This is in order to reduce cash requirements, reduce losses and insure against the risk that the
28

1 assets of the Company could be owned by anyone other than the current owners.¹

2 10. The Company's owners are providing the wastewater treatment facilities with which it
3 can treat the sewage from the first phase of development in the Developer's community. They are
4 investing \$276,000 in the treatment plant, lift stations, tools, testing equipment and monitoring equipment
5 together with establishing a cash account of \$15,000.

6 11. Under the Agreement, the Developer has agreed to advance the sum of \$1,900 per lot at
7 closing which the Applicant will treat as a nonrefundable Contribution In Aid of Construction. Because
8 such monies are usually treated as refundable advances, the Company is requesting that the Commission
9 authorize a waiver of A.A.C. R14-2-606.

10 12. The Company has secured a Yavapai County Franchise from the Yavapai County Board
11 of Supervisors and has filed a copy with the Commission.

12 13. The Company has provided Staff with a copy of the Developer's Certificate of Approval
13 to Construct which was issued by the Arizona Department of Environmental Quality.

14 14. In addition to recommending approval of the application, Staff recommended that: the
15 Commission approve the Applicant's proposed rates and charges in Exhibit B attached hereto and
16 incorporated herein by reference; the Company be ordered to file a tariff consistent with the rates and
17 charges authorized by the Commission; the Commission authorize a waiver of AAC.R14-2-606; and the
18 Company be ordered to file for rate review upon the completion of three years of actual operations.

19 15. The Company concurs with the recommendations of Staff.

20 16. Staff's recommendations, as set forth in Finding of Fact No. 13 are reasonable.

21 CONCLUSIONS OF LAW

22 1. The Company, upon beginning operations, will be a public service corporation within the
23 meaning of Article XV of the Arizona Constitution, A.R.S. Sections 40-281 and 40-282.

24 2. The Commission has jurisdiction over Applicant and of the subject matter of the
25 application.

26 3. Notice of the hearing was given in accordance with the law.

27 _____
28 ¹The Company's majority shareholders are engaged in the manufacture of modular sewage
treatment facilities as their primary business.

1 IT IS FURTHER ORDERED that Verde Santa Fe Wastewater, Inc. be granted a waiver of A.A.C.
2 R14-2-606.

3 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

4 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.
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7

8 _____
COMMISSIONER - CHAIRMAN COMMISSIONER COMMISSIONER

9 IN WITNESS WHEREOF, I, JACK ROSE, Executive Secretary of the Arizona
10 Corporation Commission, have hereunto set my hand and caused the official seal
11 of the Commission to be affixed at the Capitol, in the City of Phoenix, this
_____ day of _____, 1998.

12 _____
13 JACK ROSE
EXECUTIVE SECRETARY

14 DISSENT _____
15 MES:dap
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1 SERVICE LIST FOR: VERDE SANTA FE WASTEWATER COMPANY, INC.

2 DOCKET NO.: SW-03437A-97-0498

3
4 Joshua J. Meyer
11593 S. Fortuna Road
Yuma, Arizona 85367
5 Attorney for Verde Santa Fe
Wastewater Company, Inc.

6
7 Paul Bullis, Chief Counsel
Legal Division
8 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, Arizona 85007

9
10 Director Utilities Division
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
11 Phoenix, Arizona 85007

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EXHIBIT A

LEGAL DESCRIPTION: PHASE I
(South of Cornville Road)

A portion of Section 6, Township 15 North, Range 4 East of the Gila and Salt River Base Meridian, Yavapai County, Arizona, described as follows:

BEGINNING at the Southeast corner of said Section 6;

Thence South $89^{\circ} 36' 43''$ West along the South line of the Southeast quarter of said Section 6 a distance of 2681.60 feet to the south quarter corner of said Section 6;

Thence South $89^{\circ} 36' 58''$ West along the South line of the Southwest quarter of said Section 6 a distance of 1340.50 feet to the Southeast corner of Government Lot 7;

Thence North $00^{\circ} 19' 14''$ East along the East line of said Government Lot 7 a distance of 1319.35 feet to the Northeast corner of said Government Lot 7;

Thence South $89^{\circ} 41' 34''$ West along the North line of said Government Lot 7 a distance of 1236.45 feet to the West line of the Southwest quarter of said Section 6;

Thence North $00^{\circ} 09' 22''$ East along the West line of the Southwest quarter of said Section 6 a distance of 1320.22 feet to the West quarter corner of said Section 6;

Thence North $00^{\circ} 09' 53''$ East along the West line of the Northwest quarter of said Section 6 a distance of 2462.40 feet to the centerline of Cornville Road;

Thence South $68^{\circ} 13' 01''$ East along the centerline of Cornville Road to the East line of the Northeast quarter of said Section 6 a distance of 5657.41 feet;

Thence South $01^{\circ} 05' 13''$ West along the East line of the Northeast quarter of said Section 6 a distance of 340.34 feet to the East quarter corner of said Section 6;

Thence South $00^{\circ} 08' 38''$ West along the East line of the Southeast quarter of said Section 6 a distance of 2628.46 feet to the POINT OF BEGINNING;

EXCEPT that portion of Cornville Road described in Book 4 of Maps and Plats, Page 17, Yavapai County Records.

EXHIBIT B
SEWER TARIFF SCHEDULE

DOCKET NO. SW-03437A-97-0498

UTILITY: VERDE SANTA FE WASTEWATER CO., INC.

RATES AND CHARGES

FLAT RATE

RESIDENTIAL \$ 40.00 PER MONTH
COMMERCIAL \$ 40.00xSFE PER MONTH (see note #1)

BASED ON WATER USAGE

RESIDENTIAL MINIMUM \$ _____ FOR _____ GALLONS
EXCESS OF MINIMUM \$ _____ FOR _____ GALLONS
COMMERCIAL MINIMUM \$ _____ FOR _____ GALLONS
EXCESS OF MINIMUM \$ _____ FOR _____ GALLONS

EFFLUENT SALES: (if applicable)

\$ 2.00 PER 1,000 GALLONS

SERVICE LINE CONNECTION CHARGE \$ n/a

SERVICE CHARGES:

- | | | |
|----|---|---|
| 1. | ESTABLISHMENT (R14-2-603.D.1) | \$ <u>25.00</u> |
| 2. | RECONNECTION/DELINQUENT (R14-2-603.D.1) | \$ <u>30.00</u> |
| 3. | DEPOSIT (R14-2-603.B.7) | *2xFlat Rate-See note #2 |
| 4. | DEPOSIT INTEREST (R14-2-603.B.3) | <u>3.50</u> *Annual Effective |
| 5. | REESTABLISHMENT W/N 12 MONTHS (R14-2-603.D.1) | *# months off ^{Rate} _{minimum} x month) |
| 6. | NSF CHECK (R14-2-608.E.1) | \$ <u>25.00</u> |
| 7. | LATE PAYMENT PENALTY (R14-2-608.F.1) | \$ <u>1.50%</u> |

OTHER CHARGES AS SPECIFIED BY ORDER:

Note #1: If a commercial flat rate is necessary, it will be calculated for each commercial customer by dividing the expected design daily sewer flow rate (as prescribed by Ten States Standards) by one SFE(single family equivalent). One SFE will equal 262 gallons per day(the approved design flow rate per single family unit by ADEQ). The resulting factor will be multiplied by the approved residential flat rate to get the commercial monthly flat rate.

Note #2: VSPWC will estimate the monthly flow from each new commercial customer based on the design flow rates prescribed by the Ten States

standards. The deposit will then be calculated by taking the monthly flow rate to determine the sewer rate, then multiplying this rate times 2.5.