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BEFORE THE ARIZONA CORPORATION RECEIVED

COMMISSIONERS

- BOB STUMP - Chairman
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2014 OCT 31 P 2: 56

Arizona Corporation Commission DOCKETED

OCT 31 2014

ORIGINAL ARIZONA CORPORATION COMMISSION DOCKET CONTROL

DOCKETED BY [Signature]

IN THE MATTER OF THE APPLICATION OF NACO WATER COMPANY, LLC FOR A PERMANENT INCREASE TO ITS WATER RATES.

DOCKET NO. W-02860A-13-0399

PROCEDURAL ORDER

BY THE COMMISSION:

The hearing in the above captioned matter convened on September 4, 2014. During the hearing, testimony indicated that Naco Water Company, LLC. ("NWC" or "Company") was behind on its loan payments to the Water Infrastructure Finance Authority of Arizona ("WIFA") (approximately \$30,000), and also on its payments to Southwestern Utility Management ("SUM") (estimated at \$45,000).1

On October 9, 2014, as requested, NWC filed several Post-Hearing documents, including, inter alia, a discussion of WIFA procedures relating to payment defaults and reserve funds.

On October 17, 2014, the Arizona Corporation Commission ("Commission") Utilities Division ("Staff") filed a Response to NWC's Post-Hearing filing requesting the Company to identify how it plans to account for its Debt Service Reserve Fund ("DSRF") and Repair and Replacement Fund ("R&RF") and explain how the debt service reserve balance is to be utilized and accounted for at the end of the WIFA loan.

Both parties utilized a cash flow analysis to determine the revenue requirement in this case. The cash flow analyses presented to-date do not account for WIFA DSRF or R&RF obligations, nor do they account for anticipated increased debt service costs associated with re-amortizing the delinquent loans.2 The record would benefit from additional information concerning NWC's specific WIFA obligations, including an estimate of the re-amortized loan payments when new rates are

1 Hearing Transcript ("Tr.") at 47.

2 Tr. at 161.

1 approved and more detail on amounts owed to SUM.

2 Thus, working with Staff and WIFA (if possible), the Company shall prepare an estimate of
3 the new monthly debt service payment when WIFA re-amortizes the loans, and shall include the
4 work papers showing the supporting calculation and listing underlying assumptions. The Company
5 shall identify the amount and timing of payments in arrears and the date anticipated for payments to
6 begin anew, show the amount to be re-amortized, and present a payment amortization schedule for
7 the entire term of the loan. In addition, the Company should compute the monthly DSRF/R&RF
8 payment.

9 There has not been the suggestion that there be a surcharge to fund the DSRF, and it is unclear
10 why a special accounting treatment needs to be determined at this time for the DSRF and how it will
11 be treated at the end of the WIFA loan (or if this is Staff's concern), but the Company and Staff
12 should confer to determine what information Staff is seeking by its Response. If necessary the parties
13 should submit updated recommendations concerning the WIFA obligations, the accounting treatment
14 thereof, or any issues impacted by the Post-Hearing filing.

15 In addition, the Company should provide a more detailed current accounting of the sums
16 owed to SUM.

17 Finally, at the hearing, testimony indicated that \$7,000 of the total \$82,000 in accounts
18 payable was attributable to property taxes due October 1, 2014.³ The Company should file
19 confirmation whether it is current on its property taxes.

20 IT IS THEREOFRE ORDERED that in order to avoid further suspension of the time clock in
21 this matter, the **Company shall file** the information requested above as soon as practical, but no later
22 than **November 17, 2014**.

23 IT IS FURTHER ORDERED that the Company may file the requested information after
24 November 17, 2014, but the time clock for a final order in this matter will need to be extended
25 further.

26 IT IS FURTHER ORDERED that the Company and Staff shall file any updated
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³ Tr. at 47.

1 recommendations occasioned by the Post-Hearing filings by November 17, 2014.⁴

2 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend, or waive
3 any portion of this Procedural Order either by subsequent Procedural Order or by ruling at hearing.

4 DATED this 31st day of October, 2014.

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6 
7 JANE L. RODDA
ADMINISTRATIVE LAW JUDGE

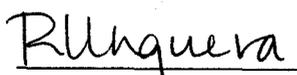
8 Copies of the foregoing mailed
9 this 31st day of October, 2014 to:

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21 By: 
22 Rebecca Unquera
23 Assistant to Jane L. Rodda

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26
27
28 ⁴ The parties may mutually agree to extend the deadline with the understanding that the time clock will need to be extended as a result. Either party may request a Procedural Conference to discuss this matter further.