

DOCKETED

MAR 17 2015



0000159907

DOCKETED BY CP

RECEIVED

2015 MAR 17 P 4: 07

AZ CORP COMMISSION
DOCKET CONTROL

1 SHAPIRO LAW FIRM, P.C.
2 Jay L. Shapiro (No. 014650)
3 1819 E. Morten Avenue, Suite 280
4 Phoenix, Arizona 85020
5 Telephone (602) 559-9575

6 Attorneys for Verde Santa Fe Wastewater Co., Inc.

ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

7 IN THE MATTER OF THE APPLICATION
8 OF VERDE SANTA FE WASTEWATER
9 CO., INC., AN ARIZONA CORPORATION,
10 FOR AUTHORITY TO: (1) ISSUE LONG-
11 TERM DEBT INSTRUMENTS IN AN
12 AMOUNT NOT TO EXCEED \$137,500 IN
13 CONNECTION WITH FINANCING THE
14 ACQUISITION OF WASTEWATER
15 UTILITY PLANT OF PIVOTAL UTILITY
16 MANAGEMENT, L.L.C.; AND (2)
17 ENCUMBER REAL PROPERTY AND
18 UTILITY PLANT AS SECURITY FOR
19 SUCH INDEBTEDNESS.

DOCKET NO: SW-03437A-14-0377

**VERDE SANTA FE
WASTEWATER'S FILING IN
RESPONSE TO MARCH 9, 2015
PROCEDURAL ORDER**

20 Verde Santa Fe Wastewater Co., Inc., (the "Company") hereby makes this filing as
21 directed in the Procedural Order, dated March 9, 2015, regarding the lack of source
22 documentation with its application supporting the net book value of the plant and
23 addressing whether the Company believes modification of Decision No. 74608 (July 30,
24 2014) is necessary.

25 The simple explanation why no source documentation was filed with the
26 Company's application is that the Company did not and still does not possess such
documentation. "Source documentation" would generally include invoices and other
documentation to support the original cost of the plant to the original purchaser. But the
Company is neither the original purchaser nor the owner of the equipment, and the owner
does not possess any "source documentation."

1 The plant was originally purchased as a complete design/build plant, with many
2 components that were assembled into a wastewater treatment plant prior to the acquisition
3 by the current owners, who are also the Lessors. The components that were separated out
4 for purposes of the lease were done so using estimates obtained from Santec Corporation
5 (at the time of construction), and were estimates of their value relative to the entire plant.
6 Any specific piece of equipment would include value-added aspects (i.e., the fiberglass
7 tanks would include engineering, design, freight, internal piping, manway accesses, other
8 tank modifications, etc.).

9 The Company did include an Equipment List with its application.¹ The information
10 to prepare this list came from an internal cost sheet provided by the plant vendor, Santec.²
11 The Company provided this cost sheet to Staff on December 22, 2014, in response to Data
12 Request CSB 1.1, stating that Santec “was unable to provide additional documentation
13 other than the project cost sheet and summary[.]”³ In hindsight, the Company should have
14 docketed this response at that time as a supplement to its application.

15 Still, the Company does not believe that the Commission needs to amend the
16 Decision pursuant to A.R.S. § 40-252. The Company cannot produce what it does not
17 possess, and there is no evidence that Santec’s inability to produce original source
18 documents impacts anything in the Decision wherein the Commission determined just and
19 reasonable rates for wastewater utility service by the Company. Nor does it undermine
20 the public interest in approval of the financing application. Staff conducted an
21 engineering analysis, including reviewing the available documentation, and concluded
22 that the plant cost was “reasonable and appropriate” as part of its recommendation that the
23

24 _____
¹ Financing Application, Exhibit 2.

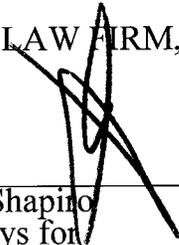
25 ² See **Exhibit A**.

26 ³ The Company’s narrative response is attached as **Exhibit B**.

1 Financing Application be approved by the Commission.⁴ Given the Commission's broad
2 powers, any order to approve the Financing Application can address the lack of available
3 source documentation, should the Commission in its discretion deem both approval and
4 discussion of the matter appropriate.

5 RESPECTFULLY SUBMITTED this 17th day of March, 2015.

6 SHAPIRO LAW FIRM, P.C.

7
8 By  _____
9 Jay L. Shapiro
10 Attorneys for
Verde Santa Fe Wastewater Co., Inc.

11 **ORIGINAL** and thirteen (13) copies
12 of the foregoing were filed
this 17th day of March, 2015, with:

13 Docket Control
14 Arizona Corporation Commission
1200 W. Washington Street
15 Phoenix, AZ 85007

16 **COPY** of the foregoing was hand-delivered
this 17th day of March, 2015, to:

17 Sarah Harpring, ALJ
18 Hearing Division
Arizona Corporation Commission
1200 W. Washington Street
19 Phoenix, AZ 85007

20 Robin Mitchell
21 Legal Division
Arizona Corporation Commission
1200 W. Washington Street
22 Phoenix, AZ 85007

23 By:  _____

24
25
26 ⁴ Staff Report at 2.

EXHIBIT A

Santec Corporation
To July 31, 2005

| Item | Supplier | Date | Cost | Payment |
|---|---------------------------|-----------|-------------|---------------------|
| Lamination of wall Plant plot | UPS | 5/27/2005 | \$6.52 | Cash |
| Cabinets, lights, hardware, ect. | Home Depot | 5/27/2005 | \$926.74 | Check |
| Diesel fuel for Generator | Reamax | 6/1/2005 | \$229.00 | |
| Installation of tile roof | Havens Roofing | 6/15/2005 | \$3,300.00 | 14030 |
| Interior and Exterior Paint | Matt Bejarano | 6/15/2005 | \$606.55 | |
| Foam, wire, lath, stucco | Falcon Plastering | 6/2/2005 | \$2,820.00 | 13943+14016 |
| Hurricane straps/bracing | Matt Bejarano | 5/31/2005 | \$294.80 | 14006 |
| Drywall and finish work | Francisco Jvillalobos | 5/31/2005 | \$2,480.00 | 13987+14005 |
| Insulation | Banker Insulation | 5/20/2005 | \$1,105.00 | 14004 |
| Building Supplies | Arizona Building Supplies | 4/6/2005 | \$5,760.07 | 13921 |
| Plumbing (add two hose bibs) | Midkiff Plumbing | 4/22/2005 | \$277.00 | 13944 |
| Concrete, labor, rental | Matt Bejarano | 4/8/2005 | \$4,107.57 | 13937+13936+13938 |
| Plumbing (toilet, sinks, frost free bib) | Midkiff Plumbing | 4/6/2005 | \$593.00 | 13922 |
| Garage Door | Windsor Republic Doors | 4/1/2005 | \$246.41 | 13920 |
| Concrete work and materials | Matt Bejarano | 3/31/2005 | \$1,494.17 | 13904-907 |
| Rebar | Arizona Building Supplies | 3/8/2005 | \$107.11 | 13856 |
| Pour concrete floor | Matt Bejarano | 3/28/2005 | \$920.00 | 13898-902 |
| Underslab plumbing | Midkiff Plumbing | 3/17/2005 | \$689.00 | 13885 |
| Backfill and grade labor | Matt Bejarano | 3/14/2005 | \$360.00 | 13876+13875 |
| Begin chalking foundation | Matt Bejarano | 3/1/2005 | \$1,076.82 | 13847-849 |
| Backhoe rental for Matt | D&E Dirt Works | 1/11/2005 | \$150.00 | 13873 |
| Prepare footing | Matt Bejarano | 3/8/2005 | \$1,373.02 | 13852+13853 |
| Trusses | Foxworth-Galbraith | 2/16/2005 | \$2,102.00 | 13820 |
| Preparing Plans and copies | Matt Bejarano | 10/5/2004 | \$718.45 | 13569 |
| Permitting And Labor | Yavapai County | 2/7/2005 | \$2,638.96 | 13796+13671 |
| 150 amp breaker | Comp Spec | | \$475.15 | |
| Building Tear Down | Santec Corporation | 2/25/2005 | \$3,589.94 | |
| Footer Concrete | | 3/1/2005 | \$667.44 | |
| Gutter | Acme gutter | 7/3/2005 | \$525.00 | |
| Inside Doors and Baseboard | AZ Building Supply | 7/20/2005 | \$523.64 | |
| Final Work | Matt Bejarano | 7/20/2005 | \$500.00 | |
| Concrete Floor | Verde Valley Builders | 3/15/2005 | \$2,772.57 | |
| Travel Expenses for Building | Nick | | \$1,346.17 | |
| | Shaun | | \$2,143.73 | |
| | John | | \$4,078.56 | |
| Material Expenses for Building on expense reports | Nick | | \$2,287.97 | plus \$926.74 above |
| | Shaun | | \$1,928.03 | |
| | John | | \$3,453.29 | |
| Building Labor - Days/Hours | Nick and Shuan | 36/288 | \$9,936.00 | |
| | John | 12/96 | \$12,768.00 | |

Building Cost Total \$81,377.68

EXHIBIT B

VERDE SANTA FE WASTEWATER CO., INC
DOCKET NOS. SW-03437A-14-0377
RESPONSE TO STAFF'S FIRST SET OF DATA REQUESTS

December 22, 2014

Response provided by: Jason Williamson
Title: President
Company: Verde Santa Fe Wastewater Co., Inc.
Address: 7581 E. Academy Blvd., Suite 229
Denver, CO 80230
Company Response Number: CSB 1.1

- Q. Invoices for Plant To Be Purchased – In reference to the list of equipment to be purchased shown in Exhibit 2 of your application, please provide the following:
- a. Invoices and all other documentation to support the equipment shown in the table below.
 - b. For all invoices that are from an affiliate, please provide copies of the actual underlying equipment invoices, material invoices, labor invoices/payroll information, and overhead calculations.

| Equipment To Be Purchased | Quantity |
|--|-----------------|
| Horizontal Cylindrical Fiberglass Sludge Holding Tank (12' x 25' = 20,092 gallons) | 1 |
| Vertical Cylindrical Chlorine Contact Tank (8' x 13.5' = 5,076 gallons) | 1 |
| Olympian D150PL 150kW Standby Generator With Transfer Switch | 1 |
| Inline Franklin Miller SS6000 Comminutor | 1 |
| Horizontal Cylindrical Fiberglass Anoxic Tanks (10' x 18.5' =10,094 gal. each) | 2 |
| Horizontal Cylindrical Fiberglass Aeration Tanks (10' x 18.5' =10,094 gal. each) | 2 |

* * * *

* * * * . RESPONSE:

- a. The Company has contacted the vendor, Santec Corporation, who provided a copy of the electronic project cost sheets, which are attached hereto.
- b. The vendor, Santec, was unable to provide additional documentation other than the project cost sheet and summary provided. But please note that the profit and overhead calculations are shown on the summary.

9809612.1/026985.0003