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MEMORANDUM
AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

APR 06 2015

TO: Docket Control Center

FROM: Steven M. Olea
Director
Utilities Division

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DATE: April 6, 2015

RE: STAFF RESPONSE FOR VERDE SANTA FE WASTEWATER CO. DOCKET
NO. SW-03437A-14-0377

On February 6, 2015, Administrative Law Judge Sarah Harpring issued a Procedural Order in the Verde Santa Fe Wastewater Company, Inc. ("VSF" or "Company") financing matter which stated:

IT IS THEREFORE ORDERED that VSF shall, by February 27, 2015, make a filing in this docket explaining the apparent inconsistencies between its financing application and the requirements of Decision No. 74608; providing supplementary information or documentation to resolve any inconsistencies if possible and appropriate; and addressing whether VSF believes that modification of Decision No. 74608 is necessary.

IT IS FURTHER ORDERED that Staff shall review VSF's filing required herein and, by March 20, 2015, file a Staff response including both an analysis of VSF's filing and Staffs recommendations for how the Commission should resolve any remaining inconsistencies between Decision No. 74608 and VSF's financing application, including whether modification of Decision No. 74608 pursuant to A.R.S. §40-252 is necessary.

On February 27, 2015, in compliance with the Procedural Order, VSF filed responses to Judge Harpring's questions. On March 9, 2015, a second Procedural Order was issued, requiring a further response from VSF and extending the date for Staff's response until April 14, 2015.

Staff has reviewed the Company's responses and hereby submits the following responses to Judge Harpring's questions to Staff.

1. Staff shall review VSF's filing required herein and . . . file a Staff response including . . . an analysis of VSF's filing.

Staff Response: Staff has reviewed the Company's response regarding its use of an 11 year financing term. Concerning this term, Staff indicated in its Direct testimony that the plant had a 20-year useful life (Brown, Direct, page 10, line 12). Staff also noted that the plant had been in service for seven years in 2012 (Brown, Direct, page 9, line 19). In 2013, the plant had been in service for eight years and in 2014, the year the financing application was filed, the plant had been in service for nine years. Therefore, the plant had a remaining useful life of 11 years (20 years – 9 years). Using an 11-year term will help to ensure that the years in which the debt is in the Company's capital structure will be the same as the years that customers are actually receiving service from the plant financed with that debt. In other words, when a 14 year term is used, there will be approximately three years in which the capital structure will have debt with no related capital investment in rate base. Staff concurs with the Company's use of an 11 year term.

2. Staff shall review VSF's filing required herein and . . . file a Staff response including . . . Staff's recommendations for how the Commission should resolve any remaining inconsistencies between Decision No. 74608 and VSF's financing application, including whether modification of Decision No. 74608 pursuant to A.R.S. §40-252 is necessary.

Staff Response: Decision No. 74608 required VSF to file an application for financing containing certain terms regarding the loan term and interest rate. VSF filed the required application, albeit with different terms than were contained in Decision No. 74608. Decision No. 74608 did not approve the terms and conditions of the loan, such approval will come when the Commission approves the Company's financing application. As stated above, Staff agrees with the Company's use of an 11 year term. The Company's proposed term, while not in strict compliance with the term stated in Decision No. 74608, is in the public interest. Any inconsistencies may be addressed in the Commission order that approves the financing application.

3. Review of source documentation for the plant.

Staff Response: On December 22, 2014, the Company responded to a Staff data request that asked for invoices to support the plant. The Company was unable to obtain the source documentation from the vendor. Staff's data request and the Company's responses are attached.

SMO:CSB:vsc\RRM

Originator: Crystal Brown

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.

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Santec Building & Remodeling 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