

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

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COMMISSIONERS

SUSAN BITTER SMITH - Chairman
BOB STUMP
BOB BURNS
DOUG LITTLE
TOM FORESE

2015 JUN 29 P 3:04

AZ CORP COMMISSION
DOCKET CONTROL

IN THE MATTER OF THE APPLICATION OF
LAKE VERDE WATER COMPANY, INC.
FOR APPROVAL OF AN EMERGENCY
RATE INCREASE.

DOCKET NO. W-01557A-15-0079

IN THE MATTER OF THE APPLICATION OF
LAKE VERDE WATER COMPANY, INC.
FOR APPROVAL OF AN ORDER
AUTHORIZING THE COMPANY TO ISSUE
\$500,000.00 OF DEBT.

DOCKET NO. W-01557A-15-0080

**STAFF'S REQUEST FOR CLARIFICATION
OF THE RECOMMENDED OPINION AND
ORDER**

The Utilities Division ("Staff") of the Arizona Corporation Commission ("ACC" or "Commission") has several concerns resulting from the Recommended Opinion and Order ("ROO") in this proceeding. These concerns relate to costs for the centralized treatment plant and the associated impacts to the schedule to implement treatment.

Staff agrees with the ROO that centralized treatment is the preferred option for Lake Verde Water Company ("LVWC" or "Company") and its customers. Staff has reviewed the estimated costs for centralized treatment from the Company's late filed exhibits and believes the costs are higher than the Staff recommended amount adopted in the ROO.

In the table below, Staff has provided a breakdown of the difference between the ROO's and Staff's adjusted estimated costs for centralized treatment from \$126,000 to \$149,800. As explained below, Staff has come to learn that there is roughly \$25,000 in additional cost required to install the centralized treatment. This increase comes from the need for a larger physical structure to house the equipment, installation costs, additional piping and controls, and the costs from additional testing, engineering, and permitting.

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Arizona Corporation Commission
DOCKETED

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Centralized Treatment - Estimated Construction Costs

NARUC Account No.	Description	Unit(s)	ROO Approved Cost Est, \$	Staff Adjusted to Account for Centralized Cost Est, \$
304	Structures and Improvements	1 Lot	\$5,500 ¹	\$10,000 ²
311	Pumping Equipment	2	\$10,000	\$10,000
320.1	Water Treatment Equipment	1 Lot	\$30,600 ²	\$40,000 ³
330	Storage Tank, 30,000 gallons	1 Lot	\$59,000 ⁴	\$59,000
Estimate Subtotal			\$105,100	\$119,000
Contingency 10%			\$10,500	\$11,900
Engineering			\$8,000⁵	\$12,000⁶
Permitting			\$2,400⁷	\$6,900⁸
Estimated Equipment & Construction Total			\$126,000	\$149,800

¹ Pumphouse Building (10 feet x 10 feet) (Metal) with Lighting and Heat, Upper Yard Fencing Extension, Foundation, Installation, Clearing and Grading.

² ROO approved Centralized Treatment Equipment Purchase and Installation.

³ Centralized Treatment Equipment Purchase, Installation, req'd Piping, Valving Controls, Verification Testing Labor and Equipment. Staff trusts that the Company can bypass roughly 20 percent of the untreated raw water and blend the raw and treated water downstream of the Arsenic Treatment System ("ATS"). Staff's calculations show that the resulting water quality would be less than the Maximum Contaminant Level ("MCL"). If the Company instituted the blending plan, the ATS media life would be extended resulting in lower annual maintenance costs.

⁴ Storage Tank Purchase (30,000 gal Galvanized Steel Tank w/liner), Shipping and Installation. Includes Foundation, Instrumentation/Controls and Yard Piping.

⁵ Engineering, Design of Storage Tank and Booster Pumps. Submittal of Approve to Construct ("ATC") application to Arizona Department of Environmental Quality ("ADEQ") and provide Approval of Construction ("AOC") application w/required info.

⁶ Engineering, Design of Arsenic Treatment System, Storage Tank and Booster Pumps. Submittal of ATC application to ADEQ and provide AOC application w/required info.

⁷ Permitting, ADEQ Review of Storage Tank/Booster Pumps - \$2,400.

⁸ Permitting, ADEQ Review of Arsenic Treatment System, Storage Tank and Booster Pumps-\$5,400 (Includes Blending Plan), Yavapai County -\$1,500.

1 Staff rounded the total to \$150,000 for purposes of developing the Water Infrastructure
 2 Finance Authority of Arizona ("WIFA") Loan Surcharge. Staff recalculated the WIFA Loan
 3 Surcharge using the same methodology used in Schedule TBH-2 to the Staff Report. Applying the
 4 methodology to the revised loan amount of \$150,000 would increase the surcharge to \$20.81 per
 5 month for a customer served by a 5/8" x 3/4" meter.⁹ Increasing the WIFA Loan Surcharge from
 6 \$17.52 to \$20.81 would increase the surcharge by \$3.29 or 18.78 percent.

7 The next clarification regards the schedule set forth in the ROO. Based upon Staff
 8 discussions with WIFA, Staff has been informed that LVWC has not been responsive to WIFA calls.
 9 As a result, LVWC is no longer on the WIFA priority list. WIFA has informed Staff that LVWC
 10 must re-apply for the requested funding from WIFA. The WIFA board will not meet again until late
 11 October. In light of this and the potentially lengthened construction and approval time Staff has
 12 proposed the following schedule:

Description	ROO	Adjusted Schedule	
New WIFA Application	-	8/1/2015	
WIFA Board Approval	-	10/21/2015	
WIFA Closing ¹⁰	-	12/1/2015	
Engineering and Design	-	2/1/2016	
ATC Docketed (Arsenic Treatment System)	12/31/2015	2/15/2016	
Order and Receive all Equipment	-	6/1/2016	
Installation of all Equipment	-	8/1/2016	
AOC Docketed (Arsenic Treatment System)	4/29/2016	8/30/2016	
AOC Docketed (Storage Tank and Boosters Pumps)	6/30/2016	8/30/2016	

27 ⁹ See Attached Revised Schedule TBH-2.

28 ¹⁰ This assumes the application is approved by WIFA.

1 Staff believes that these clarifications will allow the Company to have adequate financing and
2 the time necessary to comply with this order. Staff has attempted to contact the Company in regards
3 to these matters but as of the date of filing has not received a response.

4 RESPECTFULLY SUBMITTED this 29th day of June 2015.

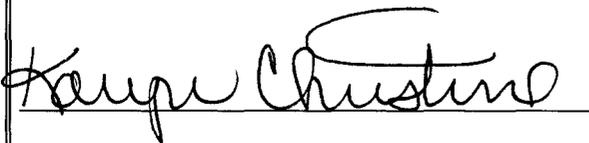
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8 Matthew Laudone, Attorney
9 Legal Division
10 Arizona Corporation Commission
11 1200 West Washington Street
12 Phoenix, Arizona 85007
13 (602) 542-3402

11 Original and thirteen (13) copies
12 of the foregoing filed this
13 29th day of June 2015 with:

13 Docket Control
14 Arizona Corporation Commission
15 1200 West Washington Street
16 Phoenix, Arizona 85007

16 Copy of the foregoing emailed/mailed
17 this 29th day of June 2015 to:

17 Dugan Lee McDonald, President
18 Lake Verde Water Company, Inc.
19 738 South Parks Drive
20 Camp Verde, AZ 86322
21 Dbmcdonald78@gmail.com

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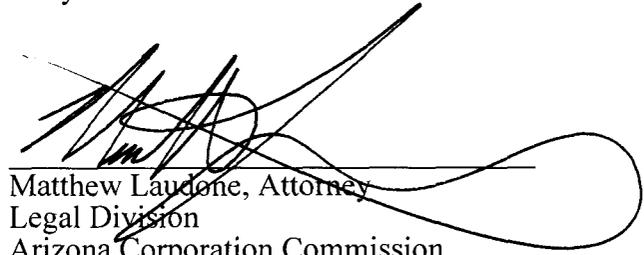
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17 Dugan Lee McDonald, President
18 Lake Verde Water Company, Inc.
19 738 South Parks Drive
20 Camp Verde, AZ 86322
21 Dbmcdonald78@gmail.com

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