

ORIGINAL



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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

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

RECEIVED
AZ CORP COMMISSION
DOCKET CONTACT

2015 OCT 30 PM 2 35

IN THE MATTER OF THE APPLICATION OF
SOUTHWEST ENVIRONMENTAL UTILITIES,
LLC FOR APPROVAL OF A CERTIFICATE OF
CONVENIENCE AND NECESSITY TO
PROVIDE WATER/WASTEWATER SERVICE.

DOCKET NO. WS-20878A-13-0065

**NOTICE OF FILING STAFF'S
CLARIFICATION REGARDING
WASTEWATER EXPENSE**

On October 29, 2015, the assigned Administrative Law Judge ("ALJ") scheduled and held a telephonic status conference with counsel for the parties to clarify a matter pertaining to Southwest Environmental Utilities, Inc.'s ("SEU" or "Company") vaulting and flushing and/or hauling expense. At that time, the ALJ inquired as to the propriety of deleting the \$120,000 Waste Water Flushing expense for Year 5 as reflected in Staff's Schedule MJR-WW-1 IS (Staff's Recommended Income Statement and Original Cost Rate Base) attached to the April 28, 2015 Staff Report ("Staff Report") in light of the tariff addressing recovery of such expense filed by SEU on June 30, 2015.

In its Staff Report, Staff recommended a vaulting and flushing and/or hauling expense of \$10,000 per month due to, among other things, the limited number of customers in two areas of the Company's proposed Certificate of Convenience & Necessity ("CC&N") area and SEU's inability to predict the actual cost of such expense.¹ Staff further noted that, if SEU believed Staff's estimate was too high or low, it should provide its own estimate. Subsequently, on June 30, 2015, SEU filed a proposed Vaulting and Flushing and/or Hauling Tariff which provides, in pertinent part, that it will be responsible for vaulting and hauling the sewage collected from all lots covered under a Collection Main Extension Agreement and that the developer of any such lot "shall reimburse the Company at cost for any of the costs for vaulting and hauling." Staff reviewed and accepted the form of this tariff.

Arizona Corporation Commission

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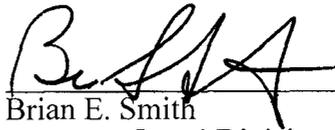
OCT 30 2015

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¹ Staff Report, Attachment A at page 2.

1 Based on the fact that, if its proposed tariff is approved, SEU will be responsible for and be
2 reimbursed the cost of any vaulting and flushing and/or hauling expenses incurred, it is appropriate to
3 delete the noted \$120,000 Waste Water Flushing expense set forth in Staff's Schedule MJR-WW-1
4 IS. Attached hereto is the Revised Schedule MJR-WW-1 IS which reflects that modification.

5 RESPECTFULLY SUBMITTED this 30th day of October 2015.

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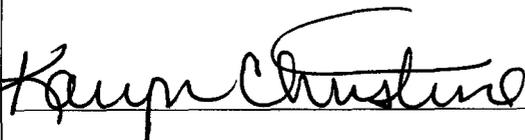
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14 Original and thirteen (13) copies
15 of the foregoing filed this
16 30th day of October 2015 with:

17 Docket Control
18 Arizona Corporation Commission
19 1200 West Washington Street
20 Phoenix, Arizona 85007

21 Copy of the foregoing emailed/mailed
22 this 30th day of October 2015 to:

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STAFF RECOMMENDED INCOME STATEMENT AND ORIGINAL COST RATE BASE

LINE NO.	DESCRIPTION	Year 1	Year 2	Year 3	Year 4	Year 5	End of Year 5 1,350 Connections
1							
2							
3	Metered Revenue	141,678	433,724	743,148	1,061,262	1,379,376	1,538,433
4							
5	Effluent	5,942	17,407	28,032	38,238	48,407	48,407
6							
7	Total Operating Revenues	\$ 147,620	\$ 451,130	\$ 771,180	\$ 1,099,500	\$ 1,427,783	\$ 1,586,840
11							
12	<u>OPERATING EXPENSES:</u>						
15	Sludge Removal Expense	2,358	6,908	11,124	15,174	19,224	19,224
16	Purchased Power	4,244	12,434	20,023	27,313	34,603	34,603
19	Materials and Supplies \$1.50/cust/mo	1,827	5,913	10,872	16,272	21,672	24,372
21	Waste Water Flushing	-	-	-	-	-	-
23	Contractual Services-Legal	1,500	1,530	1,561	1,592	1,624	1,624
24	Billing, Postate, Ops, Ins \$12.00/mo/cust	14,616	47,304	86,976	130,176	173,376	194,976
31	Miscellaneous Expense	1,200	1,224	1,248	1,273	1,299	1,299
33	Depreciation Expense	119,973	266,896	343,129	488,963	670,657	755,797
35	Property Taxes Co estimate	3,777	6,360	11,657	19,734	28,006	28,006
36	Income Taxes Co estimate	50	1,826	31,488	49,556	59,546	59,546
38							
39	Total Operating Expenses	\$ 149,545	\$ 350,395	\$ 518,078	\$ 750,053	\$ 1,010,007	\$ 1,119,447
40	Operating Income (Loss)	\$ (1,925)	\$ 100,735	\$ 253,103	\$ 349,447	\$ 417,776	\$ 467,392
41							
42							
49							
50	Plant in Service	6,247,022	8,942,083	13,876,306	23,525,535	31,812,193	31,812,193
51	Less: Accumulated Depreciation	119,973	386,869	729,998	1,218,961	1,889,618	1,889,618
52	Net Advances in Aid of Construction	1,904,299	4,295,617	8,904,921	18,225,229	26,114,912	26,114,912
53	Service Line Refundable Connection Charges	70,700	152,648	239,637	313,905	375,146	375,146
54	Working Capital	2,864	8,378	14,807	21,699	28,591	28,591
55	ORIGINAL COST RATE BASE	4,154,914	4,115,327	4,010,557	3,789,138	3,461,108	3,461,108
56							
57	Rate of Return	-0.05%	2.45%	6.31%	9.22%	12.07%	13.50%
58							
59	COMPANY ORIGINAL COST RATE BASE	\$ 4,219,920	\$ 3,978,603	\$ 3,624,608	\$ 3,090,110	\$ 2,448,586	\$ 2,448,586
60							
61	Staff Original cost rate base more/(less) than Company	(65,006)	136,724	385,949	699,028	1,012,522	1,012,522
62							
63							
64	<u>Notes:</u>						
65	Company agreed after providing workpapers that a year 1 Lift Station in the amount of \$342,000 be removed from plant in service. As such all year are affected by the reduction in plant in service and accumulated depreciation.						
66							
67	Staff is recommending hook up fees of \$1,356,000 not be included in the tariff, this amount was excluded from rate base calculation. Details are shown on Schedule MJR-WW1Refunds						
68							
69							