

ORIGINAL



0000023464

BEFORE THE ARIZONA CORPORATION COMMISSION

RECEIVED

Jeff Hatch-Miller
Chairman

2005 JUL -7 P 12: 02

William A. Mundell
Commissioner

AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission

Marc Spitzer
Commissioner

DOCKETED

Mike Gleason
Commissioner

JUL 07 2005

Kristin K. Mayes
Commissioner

DOCKETED BY []

IN THE MATTER OF THE APPLICATION OF)
LAS QUINTAS SERENAS WATER CO. FOR)
AUTHORITY TO INCUR LONG-TERM)
INDEBTEDNESS TO FINANCE WATER)
SYSTEM IMPROVEMENTS TO ASSURE)
COMPLIANCE WITH NEW ARSENIC RULES)

Docket No. W-01583A-05-0326

**MOTION TO AMEND
APPLICATION**

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

Pursuant to A.A.C. R14-3-106(K), Las Quintas Serenas Water Co. ("LQS"), by and through its undersigned counsel, hereby moves to amend its April 29, 2005 Application in the above-captioned proceeding. A copy of the Application, as proposed to be amended, is attached hereto as Appendix "A." This motion is supported by the following Memorandum of Points and Authorities.

MEMORANDUM OF POINTS AND AUTHORITIES

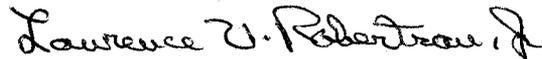
At the Procedural Conference conducted in the above-captioned proceeding on June 23, 2005, LQS offered to amend its April 29, 2005 financing authorization application so as to remove from the level of financing authorization requested that amount of funds intended to implement certain capital improvements LQS intends to undertake which are not related to compliance with the new arsenic rules promulgated by the United States Environmental Protection Agency ("EPA"). LQS was motivated to make this offer by reason of its understanding that the Commission's Staff was prepared to proceed towards a hearing on LQS'

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1 application for authorization of an Arsenic Cost Recovery Mechanism (“ACRM”) and that
2 portion of LQS’s financing authorization request related to capital improvements which would
3 enable LQS to comply with EPA’s new arsenic rules, but not LQS’s application for an
4 adjustment in its rates and charges to recover the borrowing costs for non-arsenic capital
5 improvements and the remaining related portion of its financing authorization request.
6

7 Accordingly, LQS is hereby requesting leave to amend its April 29, 2005 Application in
8 the above-captioned proceeding so as to reduce the amount of financing authorization requested
9 from \$1,789,375 to \$1,648,750, or a reduction of \$140,625 from the authorization level
10 originally requested. Attached hereto in this regard as Appendix “A,” and incorporated herein by
11 reference, is a copy of the April 29, 2005 Application as proposed to be amended by this Motion.
12

13 Dated this 6th day of July, 2005

14
15 

16 _____
17 Lawrence V. Robertson, Jr.
18 Munger Chadwick, PLC
19 333 N. Wilmot, Ste. 300
20 Tucson, Arizona 85711
21 Attorney for Las Quintas Serenas Water Co.

22 The original and 15 copies of the above
23 Motion to Amend Application were filed on
24 the 7th day of July, 2005 with:

25 Arizona Corporation Commission
26 Docket Control
27 1200 West Washington
28 Phoenix, Arizona 85007

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

A copy of the above Motion to Amend Application was hand-delivered on the 7th day of July, 2005 to:

Ernest Johnson, Director
Utilities Division - ACC
1200 West Washington
Phoenix, Arizona 85007

Christopher Kempsey, Chief Counsel
Jason Gellman
Legal Division -ACC
1200 West Washington
Phoenix, Arizona 85007

Steve Olea, Assistant Director
Utilities Division -ACC
1200 West Washington
Phoenix, Arizona 85007

OL

G:\WORK\LARRY\LasQuintas\Amend App-Motion (fnl).doc

APPENDIX "A"

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**

2 Jeff Hatch-Miller
3 Commissioner
4 William A. Mundell
5 Commissioner
6 Marc Spitzer
7 Commissioner
8 Mike Gleason
9 Commissioner
10 Kristin K. Mayes
11 Commissioner
12

13 IN THE MATTER OF THE APPLICATION)
14 OF LAS QUINTAS SERENAS WATER CO.) Docket No. W-01583A-05-0326
15 FOR AUTHORITY TO INCUR LONG-TERM)
16 INDEBTEDNESS TO FINANCE WATER)
17 SYSTEM IMPROVEMENTS AND ASSURE) **APPLICATION**
18 COMPLIANCE WITH NEW ARSENIC)
19 RULES)
20 _____)

21 Pursuant to A.A.C. R14-3-106(F) and A.R.S. 40-301 et seq., Las Quintas Serenas Water
22 Co. ("LQS"), by and through its undersigned counsel, hereby makes Application for an Opinion
23 and Order authorizing it to incur certain long-term indebtedness for the purpose of financing
24 water system improvements and assuring compliance with new arsenic rules. In support of its
25 Application, LQS submits the following information.

26 **I.**

27 **DESCRIPTION OF APPLICANT**

28 LQS is an Arizona public service corporation subject to regulation by the Commission as
a water utility. LQS has received a certificate of convenience and necessity to provide potable
water service to the public within a certificated service area in the vicinity of Sahuarita, Arizona.
At present, LQS provides such service to approximately 826 customer connections, as well as
standpipe water service to approximately 146 additional customers.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1
2
3 As a public water service provider, LQS is subject to the regulations of the United States
4 Environmental Protection Agency ("EPA") which have lowered the allowable concentration of
5 arsenic in drinking water from 50 parts per billion to 10 parts per billion, effective January 23,
6 2006 ("New Arsenic Rules").

7
8 **II.**

9 **CIRCUMSTANCES OCCASIONING APPLICATION**

10 Westland Resources, Inc. ("Westland") recently completed the preparation of a
11 comprehensive Water System and Arsenic Master Plan ("Plan") for LQS. The Plan in final form
12 was submitted to LQS on March 24, 2005 and was approved by LQS's Board of Directors at a
13 meeting held at LQS's offices on April 6, 2005. The Plan provides for LQS to incur
14 approximately \$1,648,750 ~~1,789,375~~ in capital costs in order to implement certain water system
15 improvements recommended by Westland, and in order to place LQS in a position where it will
16 be able to comply with the New Arsenic Rules. On January 4, 2005, the Commission issued its
17 Decision No. 67455 which authorized new rates and charges for water service provided by LQS.
18 However, those rates and charges did not include any recovery of revenues related to recovery of
19 capital costs associated with the water system improvements recommended by Westland, or
20 capital costs associated with LQS's compliance with the New Arsenic Rules.
21

22 In its Decision No. 67455, the Commission found a fair value rate base of \$161,341 for
23 LQS. The capital costs necessary in order to implement the water system improvements and
24 arsenic compliance program measures represent approximately \$1,648,750 ~~1,789,375~~, a sum
25 substantially in excess of the aforesaid fair value rate base. In addition, Decision No. 67455
26 authorized only a 2.9 percent increase over test year revenues. Given these circumstances, and
27
28

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

the fact that LQS's current capital structure is 100 percent common equity, LQS's Board of Directors has determined that it is both necessary and appropriate to finance implementation of the Plan through the incurrence of long-term indebtedness in the amount of \$1,648,750, ~~1,789,375~~. Such indebtedness would provide LQS with timely access to needed funds which are not available from the company's operations, and it would also result in a more balanced capital structure.

III.

PROPOSED FINANCING ARRANGEMENT

In order to raise the aforesaid \$1,648,750, ~~1,789,375~~, LQS intends to submit an application to the Water Infrastructure Financing Authority of Arizona ("WIFA") requesting a design and construction loan in the aforesaid amount from Arizona's Drinking Water Revolving Fund ("DWRF"). In addition, and as a possible alternative source of financing, LQS intends to submit a loan application for the same amount to a traditional commercial lender, such as a bank. In that regard, it is conceivable that the required funds might be raised through a combination of a DWRF loan from WIFA, and a loan from a more traditional commercial lending institution. As the Commission is aware, both types of borrowing would require prior authorization from the Commission. Accordingly, LQS is requesting through this Application that the Commission issue an appropriate procedural order and set this matter for hearing. LQS anticipates that prior to the date set for hearing it will be in a position to provide the Commission and its Staff with details of the proposed loan arrangement(s). At such time, LQS will submit a balance sheet and income statement reflecting the effect of the proposed financing.

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

IV.

USE OF PROCEEDS RESULTING FROM PROPOSED FINANCING

As noted above, LQS intends to use the proceeds which would result from the proposed financing to fund implementation of the water system improvements and arsenic compliance measures recommended in the Plan. A list of the facilities which would be constructed and installed in that regard is attached hereto as Appendix "A," and is incorporated herein by reference.

V.

PROPOSED FINANCING CONSISTENT WITH A.R.S. 40-301 ET SEQ.

The proposed financing is (i) within the corporate powers of LQS, (ii) compatible with the public interest, (iii) compatible with sound financial practices, (iv) compatible with the proper performance by LQS of service as a public service corporation and (v) will not impair its ability to perform that service.

VI.

NOTICE OF APPLICATION

Attached hereto as Appendix "B" and incorporated by reference is a copy of a notice of the filing of this Application which LQS will arrange to have published in a newspaper of general circulation in its service area. Following such publication, LQS will file an Affidavit of Publication to that effect with the Commission. ~~be sending to each of its customers as an insert in the next billing cycle. LQS will file a Notice of Mailing with the Commission when that mailing has been accomplished, together with a copy of the form of notice mailed. In addition, LQS will provide such additional form of notice to its customers, if any, as the Commission may require.~~

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

VII.

CONCLUSION

WHEREFORE, LQS hereby requests that the Commission set the instant Application for hearing at the earliest practicable date, and thereafter issue an Opinion and Order authorizing LQS to incur long-term indebtedness in the amount of \$1,648,750 ~~1,789,375~~ in order to finance water system improvements and achieve compliance with the New Arsenic Rules.

Dated this 29th day of April, 2005.

Lawrence V. Robertson, Jr.
Munger Chadwick, PLC
333 N. Wilmot, Ste. 300
Tucson, Arizona 85711
Attorney for Las Quintas Serenas Water
Company

The original and 16 copies of the above Application were filed on the 2nd day of May, 2005 with

Arizona Corporation Commission
Docket Control
1200 West Washington
Phoenix, Arizona 85007

A copy of the above Application was hand-delivered on the 2nd day of May, 2005 to:

Ernest Johnson, Director
Utilities Division - ACC
1200 West Washington
Phoenix, Arizona 85007

Steve Olea, Assistant Director
Utilities Division - ACC
1200 West Washington
Phoenix, Arizona 85007

MUNGER CHADWICK, P.L.C.
ATTORNEYS AT LAW
NATIONAL BANK PLAZA
333 NORTH WILMOT, SUITE 300
TUCSON, ARIZONA 85711
(520) 721-1900

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

Jason Gellman
Legal Division
~~Christopher Kempley~~
~~Chief Counsel - ACC~~
1200 West Washington
Phoenix, Arizona 85007

G:\WORK\LARRY\LasQuintas\Application for Indebtedness(Appendix A).doc

APPENDIX "B"

PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER AUTHORIZING
THE INCURRENCE OF LONG-TERM DEBT BY
LAS QUINTAS SERENAS WATER CO.

Las Quintas Serenas Water Company has filed an Amended Application with the Arizona Corporation Commission for an order authorizing the Company to incur \$1,648,750 ~~1,789,375~~ of long-term debt. This amended request represents a \$140,625 reduction in the financing authorization level requested from the \$1,789,375 amount set forth in the Company's original application. The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Sahuarita, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon the Company and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after publication of this notice.