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Arizona Corporation Commission
BEFORE THE ARIZONA CORPORATION COMMISSION

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CARL J. KUNASEK
CHAIRMAN
JIM IRVIN
COMMISSIONER
WILLIAM A. MUNDELL
COMMISSIONER

JUN 09 2000

DOCKETED BY RT

IN THE MATTER OF THE APPLICATION OF
H2O, INC. FOR APPROVAL TO ISSUE LONG-
TERM DEBT.

DOCKET NO. W-02234A-99-0679

DECISION NO. 62620

ORDER

BY THE COMMISSION:

On November 24, 1999, H2O, Inc. ("H2O" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for approval to borrow \$254,117 in long-term debt. On April 26, 2000, the Commission's Utilities Division Staff ("Staff") filed a Staff Report, in which it recommended approval of the application without a hearing.

Applicant notified its customers of the application by means of an insert included in its customer billing statements on February 1, 2000.

DISCUSSION

Introduction

Applicant is an Arizona corporation servicing approximately 692 customers near Queen Creek in Maricopa and Pinal Counties, Arizona, under rates set by Decision No. 58641 (dated May 27, 1994).

The Applicant's system currently does not meet Arizona Department of Environmental Quality ("ADEQ") requirements and the water produced does not meet the quality standards of the Safe Drinking Water Act ("SWDA").

The purpose of the proposed debt is to provide funds necessary to add a new 400,000 gallon storage tank, a 5,000 gallon pressure tank, piping and connection, a new pump for Well No. 4, and construction of a transmission line. The cost of the projects are estimated to be \$254,117. Staff Engineering has determined that the cost estimates submitted by H2O are reasonable and the plant additions are necessary for H2O to provide proper and adequate service to its customers.

1 believes Applicant should have no difficulty in servicing the proposed debt, even though Applicant's
2 ratio is below the preferred level for TIER.

3 Staff stated that the Applicant currently uses its Well No. 3, a 600 gallon per minute well, as a
4 reserve or back up well, and will continue to do so until Well No. 4, financed by the proposed
5 \$92,711, is placed into service. Staff Engineering stated they may recommend in H2O's next rate
6 application that the existing back-up well be considered excess capacity and therefore not used and
7 useful. This recommendation will depend on such things as the quality of water from the well, water
8 use, and the number of customers on the system, all of which would impact the recommended rates in
9 a future rate case.

10 Staff recommends that the Applicant's next significant financing be in the form of equity
11 because the Applicant is currently financed totally with debt.

12 Staff recommended that within 90 days of the effective date of this decision, the Applicant
13 file documentation from the ADEQ stating that its water system is delivering water that does not
14 exceed any maximum contaminant levels and meets the quality standards of the SDWA.

15 Staff recommended approval of the application without a hearing, with the above conditions.

16 We concur.

17 * * * * *

18 Having considered the entire record herein and being fully advised in the premises, the
19 Commission finds, concludes, and orders that:

20 **FINDINGS OF FACT**

21 1. H2O provides water service to approximately 692 customers near Queen Creek, in
22 Maricopa and Pinal Counties, Arizona.

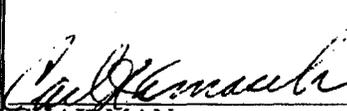
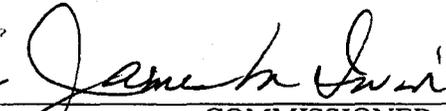
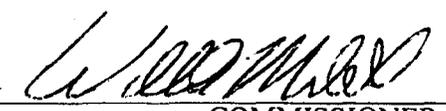
23 2. On November 24, 1999, H2O filed with the Commission an application for approval
24 to incur long-term debt in the amount of \$254,117 from WIFA, in the form of two separate loans of
25 \$92,711 and \$161,406.

26 3. H2O proposed to utilize the funds from WIFA to add a storage tank, pressure tank,
27 well pump, and construct a transmission line. H2O estimates the total cost of the projects to be
28 \$254,117.

1 IT IS FURTHER ORDERED that H2O, Inc. shall file with the Utilities Division Direc'
2 within 90 days of the effective date of this decision, documentation from the Arizona Department of
3 Environmental Quality stating that the H2O, Inc. water system is delivering water that does not
4 exceed any maximum contaminant levels and meets the quality standards of the Safe Drinking Water
5 Act.

6 IT IS FURTHER ORDERED that this Decision shall become effective immediately.

7 BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

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10 CHAIRMAN COMMISSIONER COMMISSIONER
11

12 IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive
13 Secretary of the Arizona Corporation Commission, have
14 hereunto set my hand and caused the official seal of the
15 Commission to be affixed at the Capitol, in the City of Phoen'
16 this 9TH day of June, 2000.

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18 BRIAN C. McNEIL
19 EXECUTIVE SECRETARY

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SERVICE LIST FOR:

H2O, INC.

DOCKET NO.:

W-02234A-99-0679

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